

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Troy	County Oakland
Audit Date June 30, 2005	Opinion Date September 25, 2005	Date Accountant Report Submitted to State: 12/15/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 5750 NEW KING STREET, SUITE 200	City TROY	State MI	Zip 48098
Accountant Signature  THOMAS E. DARLING, CPA			

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF TROY, MICHIGAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



## CITY COUNCIL

### Mayor

[Louise E. Schilling](#)

### Mayor Pro Tem

[Cristina Broomfield](#)

### Council Members

[Robin Beltramini](#)

[Wade Fleming](#)

[Martin F. Howrylak](#)

[David Lambert](#)

[Jeanne M. Stine](#)

### City Manager

[John Szerlag](#)

### Assistant City Manager of Finance and Administration

[John M. Lamerato](#)

### Financial Services Director

[James A. Nash](#)

*Prepared by the Finance Department*

## **INTRODUCTORY SECTION**

# CITY OF TROY, MICHIGAN

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December 5, 2005

500 West Big Beaver  
Troy, Michigan 48084  
[www.troymi.gov](http://www.troymi.gov)

Area code (248)

Assessing  
524-3311

Bldg. Inspections  
524-3344

Bldg. Maintenance  
524-3368

City Clerk  
524-3316

City Manager  
524-3330

Community Affairs  
524-1147

Engineering  
524-3383

Finance  
524-3411

Fire-Administration  
524-3419

Human Resources  
524-3339

Information Services  
619-7279

Law  
524-3320

Library  
524-3545

Parks & Recreation  
524-3484

Planning  
524-3364

Police-Administration  
524-3443

Public Works  
524-3370

Purchasing  
524-3338

Real Estate & Development  
524-3498

Treasurer  
524-3334

General Information  
524-3300

Dear Honorable Mayor and City Council Members:

The *Comprehensive Annual Financial Report* for the City of Troy, Michigan for the year ended June 30, 2005 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2004-05 and the financial condition of the various funds as of June 30, 2005. This report has been prepared by a team of City staff led by the Assistant City Manager/Finance and Administration. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which significantly changed the contents and format of municipal financial statements. GASB Statement No. 34 (GASB No. 34) was developed to promote comparability between various units of government and to demonstrate the operational, as well as the fiscal, accountability of each municipality. Prior to GASB No. 34, municipalities reported only on the fund basis. This demonstrated to the financial statement user that the municipality met its responsibility to the public and all legal requirements in the short term, usually a year or a budget cycle. With the adoption of GASB No. 34, a municipality must also include full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the municipality. Operational accountability refers to the government's responsibility to assure that it is currently meeting, and can continue to meet, operational objectives into the foreseeable future. The accompanying report is in compliance with the new format requirements of GASB 34.

A *Management's Discussion and Analysis Report*, as well as entity-wide, full accrual financial statements have been added to the front of the financial statement section. The fund statements have been altered to provide reporting under the "Major/Non-major Fund" concept. Reconciliation between the two presentations is included and the note disclosures have been expanded to provide appropriate information on both the entity-wide and fund financial statements.

The information presented is accurate in all material respects. Financial data presented is designed to provide the reader with information to assist in determining both the long-term fiscal health of the City of Troy and the City of Troy's ability to meet obligations on a short-term basis.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the City of Troy and related component units. The individual component units are included in the City of Troy's reporting entity because of the significance of their operational or financial relationships with the City of Troy.

The financial reporting entity includes all of the primary government (the City of Troy as legally defined). The criteria used in determining the reporting entity are consistent with current GAAP guidelines. Based on these criteria, the various funds of the City are shown in the Table of Contents and are included in this report. We have addressed all component units.

The City of Troy was incorporated in 1955 and has always operated under the Council-Manager form of government. The Mayor and six members of the City Council are elected to staggered, four-year terms. The City Manager is appointed by a majority vote of the City Council and is responsible for all administrative functions. The City provides a full range of municipal services. These services include police, fire, water distribution, wastewater collection, street maintenance, public improvements, planning, zoning, recreation and general administrative services.

The *Comprehensive Annual Financial Report* was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section – This section introduces the reader to the City of Troy and to this report. Included are: this transmittal letter with continuing disclosure reporting enhancements, the City's organizational chart, a list of principal officials, and a fund organization chart.

Financial Section – The independent auditor's report, management's discussion and analysis letter, government-wide financial statements, combined fund financial statements, component unit financial statements and notes to the financial statements are included here. These are the City's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of this report.

Required Supplemental Information – This section contains schedules showing the funding progress of both the Employees' Retirement System and the Incentive Plan for Volunteer Firefighters.

Statistical Section – Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect social and economic data, financial trends, and the fiscal capabilities of the City.

Single Audit Section – The City of Troy is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the single audit section of this report.

## **~ECONOMIC CONDITION AND OUTLOOK**

The economic condition of the City has remained fairly steady during these difficult times. Our unemployment rate is well below the national and state average.

	<u>1990</u>	<u>2000</u>	<u>July 2005</u>
Troy	3.5%	1.6%	4.7%
Metro Area*	7.6%	4.3%	6.3%
Michigan	7.6%	3.6%	6.4%
National	5.5%	4.0%	5.0%

\*Metro Area includes: Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties

The growth in taxable value has slowed in recent years compared to the 1990s, which is expected of a more mature community. In 1990, our taxable value was \$2,931,850,960. By December 31, 2004, that value had grown to \$5,094,758,223, an increase of 73.8 percent. In Michigan, only the City of Detroit has a higher taxable value than the City of Troy. The Southeast Michigan Council of Governments (SEMCOG) estimates that Troy will experience employment and population increases well into the next century. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

Other significant economic events occurring during the fiscal year included the following activities:

### **Major Initiatives**

Major initiatives, more often than not, span several years, and ours are no exception.

#### Big Beaver Corridor Study

In May of 2005 City Council endorsed the Downtown Development Authority's contract with Birchler Arroyo Associates for development of the Big Beaver corridor study. The purpose of the study is to define optimum long-term economic uses along the corridor. The results will determine the best approach to updating the City's master land use plan, necessary in order to retain and attract investment along the "Golden Corridor". Input from residents and business owners in Troy will be an important aspect of the study.

#### Futures Process

On June 20, 2005 City Council approved a proposal from futurist Ed Barlow for facilitation of a futuring and strategic planning process for the City of Troy. The process involves creation of task forces to study pertinent components of Troy, for example; education, transportation, and regional partnerships. The task forces are made up of City staff and volunteers from the business and residential communities. The task forces will analyze demographic information, as well as past and current trends, to develop a preferred vision for the City of Troy.

#### Wireless Oakland

The City of Troy is one of seven pilot communities chosen for Oakland County's *Wireless Oakland* initiative. One of Oakland County's goals is to provide some level of free high-speed Internet access to every city within its boundaries. As a pilot community, Troy would provide access to City-owned infrastructure to facilitate building the wireless network. An advantage of being a pilot community is that Troy will have input with regards to the implementation of the program county-wide, and will have an opportunity to test the system firsthand to ensure it works for Troy.

## Road Projects

Major road construction projects were active on Big Beaver, Coolidge, and Stephenson Highway -14 mile to I-75.

We still maintain our tradition of strong financial management policies within City government, as evidenced by being the only municipality in the state of Michigan with a population greater than 50,000 and only one of three cities in the State of Michigan having a “AAA” bond rating. Our tax base growth has slowed and we are at a point where it is imperative to focus on land use and redevelopment efforts. Doing so will improve our fiscal strength, not only for the Troy City government, but also for the community.

### **Department Feature – Motor Equipment Fund Fleet Maintenance Division Department of Public Works**

The Fleet Maintenance Division’s primary function is the preventive maintenance and repair of approximately 500 City owned vehicles and pieces of equipment. This includes approximately 100 vehicles utilized by the Police Department, 33 pieces of Fire Department apparatus and 56 pieces of snow removal equipment.

The Fleet Maintenance Division consists of two repair locations, one at 500 W. Big Beaver and a two-shift operation at the main facility located at 4693 Rochester Rd. Adequate parts and fuel inventories are maintained at both repair sites in order to complete repairs in an efficient, professional and timely manner and minimize down time. Both facilities are equipped with emergency generators to allow operation during emergency conditions (blackouts, power outages, etc.). Fleet Maintenance is staffed by one superintendent, two field supervisors, one inventory assistant, four service personnel, six auto/equipment technicians and four heavy equipment technicians.

Troy’s Fleet Maintenance Division has been named to the Top Ten Fleets in the United States for 2005. We are also an ASE Blue Seal Shop, with 14 of 17 personnel ASE certified. There are a few of our employees who hold double certifications (automotive and heavy truck). The Fleet Division has been spotlighted several times in the past year in major publications, such as Public Works, Great Lakes Reporter and Fleet Equipment magazines.

The Fleet Maintenance Division provides a “ready to work” service with an average of 97% of our vehicles ready for daily activities. This is accomplished through our preventive maintenance (PM) program. Our goal is to have 100% PM compliance on a monthly basis. Twenty-four hour on call service is available 365 days a year for repairs on snow removal equipment during a snow emergency, pumps during flood control operations, or Fire Department equipment at a fire scene.

Administration is responsible for maintaining a computerized fleet management system (CCG FASTER) which tracks the costs of vehicle repairs, as well as parts used to make necessary repairs. This system ensures that we stock a sufficient quantity of parts, materials, and tools. We maintain a “just-in-time” parts inventory, receiving daily stock orders to replenish our shelves. The fleet management software also utilizes a bar coder which facilitates the bar coding of all inventoried parts, all the technician has to do is scan the part onto the work order, which is an extremely valuable time-consumer.

The division’s administrative responsibilities also include the development of operating and capital budgets, writing equipment purchase specifications, bid recommendations and communicating with departments on equipment needs and repairs. It is the responsibility of

administration to make sure that all employees work using proper safety equipment, also to provide technical training to ensure that the Fleet Maintenance Division's personnel are kept current with the rapidly changing repair techniques on today's equipment.

The fleet maintenance software program also keeps computerized detailed records on every unit in the fleet. These records include accumulated mileage or hours of usage, fuel consumption, cost per mile to operate each unit and a detailed maintenance and repair history. All this information is stored in the software, thus making the fleet maintenance division's records virtually paperless. These unit records are an important factor when purchase specifications are prepared and bid recommendations are made for replacing existing units.

In addition to normal Fleet Maintenance Division functions, we assist the Police Department in fatal accident investigations, remove snow on City owned sidewalks, and assist the Building Department in sign ordinance enforcement. We have also increased department revenue with in-sourcing work from surrounding communities (the City of Clawson, City of Huntington Woods, City of Bloomfield Township, etc.). We also service Troy Medigo vans, who, as a result of their vehicles being serviced after hours, have been able to increase rider ship.

#### **~FINANCIAL INFORMATION**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

#### **Single Audit**

As a recipient of Federal, State, and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the independent auditors of the City.

As a part of the single audit process, tests are made by the auditors to determine the adequacy of the internal control structure, including that portion related to Federal financial assistance programs, as well as to determine that the City has complied with the applicable laws and regulations.

#### **Budgeting Controls**

The object of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

Activities of the General and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Outstanding encumbrances at year-end for the Capital Projects Fund are recorded as a reservation of fund balance and are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## **General Government Functions**

Generally accepted accounting standards require that management provide a narrative introduction, overview and analysis to accompany these basic financial statements in the form of a *Management's Discussion and Analysis (MD&A)* letter.

This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Troy's MD&A can be found immediately following the report of the independent auditors. Since the MD&A focuses on the government-wide financial statements, the balance of this letter will be directed at the fund or activity level.

The General Fund receives all City of Troy revenues not designated for special uses by statutes or the City Charter and accounts for most of the services provided to residents.

Overall General Fund revenues increased 8.8 percent from the prior year. Property taxes in the General Fund increased by 4.2 percent due to new construction and a consumer price index valuation adjustment for existing property. State sources decreased for the third year in a row this year by 3.1 percent due to a decrease in total dollars distributed, as a result of downturn in the State's economy in particular, sales tax revenue and the State budget-balancing problem. State shared revenue is a return to local governments of a portion of state sales tax and is not restricted to use.

Licenses and permits were down 2.6 percent due to a leveling off in the 3 - year dog license and a reduction in sign permits. Fines and forfeitures were up 1.4 percent. Charges for services revenue increased by 9.7 percent primarily due to increased utilization of our new Community Center, cable franchise fees and telecommunication fees.

Investment Income was up 263.4 percent due to the corresponding increase in interest rates.

Other revenue is up significantly due to the renegotiation of payment terms and plan revisions for employee healthcare coverage.

Transfers from other funds increase was due to the additional transfer from the Capital Fund and the recognition of the Sewer Fund transfer for storm sewer expenses.

Expenditures – Total General Fund expenditures increased by 3.1 percent. All bargaining units received contractual increases in wages this past year and healthcare costs were down approximately 6 percent. The frequency of snow and ice removal events accounted for the large increase in road and streets expenditures. The reduction in the transfer to Other Funds accounts for last years transfer of \$668,000 to initially establish the Budget Stabilization Fund.

### **General Fund Balance**

The fund balance of the General Fund increased by \$2.1 million to a balance of \$23,807,192. Of the \$23,807,192 fund balance, \$708,988 is reserved for such items as inventory and prepaid items; \$8,756,013 is unreserved but designated for tax appeals, insurance claims and improvements and maintenance; \$1,305,560 is unreserved but designated for the 2005-06 budget, leaving \$13,036,631 as unreserved and undesignated. The \$13,036,631 represents 21.7 percent of our 2005-06 General Fund budget. This amount is above our 15 percent goal and is considered adequate to provide funds for unforeseen future negative events, and any upcoming budget shortfalls.

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Special Revenue Funds of the City include:

Downtown Development Authority Fund – The Authority generates revenue from property value increases within the district compared to the initial taxable value established in 1993. These funds are used for the purpose of providing for the construction and financing of necessary improvements to prevent further deterioration of the development area while preserving and promoting economic growth.

Major Street Fund – Gas and weight tax revenues received in this fund from the State of Michigan are used for repairs, maintenance, snow and ice removal, and construction of all streets classified as “major” within the city. The gas and weight taxes generated \$3,647,503 compared to \$3,751,867 last fiscal year.

Local Street Fund – Gas and weight taxes as well as a transfer of funds from the Major Street Fund finance the repairs, maintenance, snow and ice removal, and construction of all streets classified as “local” within the city.

Refuse Fund - This fund has been established to account for property tax revenues restricted for rubbish and garbage collection and service charges for recycling.

Community Development Block Grant – This fund accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements. The major activities in this fund include senior minor home chore program and infrastructure improvements.

Budget Stabilization Fund – This fund was established in 2004 for the purpose of: a) covering any General Fund deficit; b) preventing a reduction in the level of public services; c) covering expenses arising because of a natural disaster.

Local Development Financing Authority – This fund was established to capture tax increment revenues in the Automation Alley Smart Park, to encourage local development, to prevent

conditions of unemployment and to promote economic growth. The purpose of the authority is to provide for the construction and financing of public facilities within the City of Troy necessary for the project.

## **Enterprise Operations**

The City operates five separate enterprise operations: Water Fund, Sanitary Sewer Fund, Aquatic Center Fund, Sylvan Glen and Sanctuary Lake Golf Course Funds.

The Water Fund operating revenues amounted to \$13,554,775, resulting in an increase of \$2.7 million from last year. Operating expenses totaled \$13,305,282, an increase of \$2.7 million from last fiscal year.

The Sanitary Sewer Fund generated \$9,623,505 in operating revenues compared to \$9,710,263 last fiscal year. Operating expenses totaled \$8,981,412 compared to \$10,168,039 last fiscal year. These rates are reviewed annually during budget time to ensure proper funding for operations and maintenance and improvements to the system.

The Aquatic Center continues to operate at a loss, however lower than last fiscal year. The operating loss of \$122,230 compares to a net loss of \$173,869 last fiscal year. The City has taken measures to increase usage and continues to look at ways to reduce the net loss.

The Sylvan Glen Golf Course Fund ended the year with an increase in net assets of \$141,121. This amount compares to an increase of \$58,119 last fiscal year.

The Sanctuary Lake Golf Course Fund ended the year with a decrease in net assets of \$787,998 for it's first full year of operations. Steps have been taken to increase play and reduce the loss.

## **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government, on a cost reimbursement basis.

Compensated Absences Fund – This fund accounts for the charges to other departments based on sick and vacation accruals. The expenses of accumulated sick pay and vacation pay are then recorded in this fund.

Unemployment Compensation Fund – This fund accounts for the charges to other departments and the expenses to provide unemployment compensation insurance.

Custodial Services Fund – This fund charges other departments on a square footage basis to account for the custodial services and maintenance provided to all City-owned buildings.

Information Technology Fund – This fund accounts for charges to other departments based on the number of workstations to cover the expenses for providing computer services, including support, training and replacement.

Motor Equipment Fund – The rental charges of City-owned equipment to other City departments are accounted for in this fund. The fund provides maintenance, insurance and replacement of all City-owned vehicles.



Workers' Compensation Fund – This fund charges departments a percentage of payroll based on premiums established by our provider to account for pooled insurance expenses.

## **Fiduciary Funds**

Fiduciary Funds are established to account for assets held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units an/or funds.

Pension Trust – Employees' Retirement Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees.

The Employees Retirement Fund reported end-of-the-year net assets held in trust for pension benefits of \$161,263,146 compared to the beginning amount of \$160,858,807. As of December 31, 2004, the fund is 115.9 percent funded.

Pension Trust – Discretionary Fire Incentive Reserve Fund – This fund is used to account for accumulation of resources for incentive payments to qualified volunteer firefighters.

Agency Fund – This fund is used to account for taxes collected on behalf of other governmental units.

## **Component Units**

Component units, as defined by GASB No. 14, are so classified due to their relationship with the primary government relative to financial accountability of the reporting agency.

Brownfield Redevelopment Authority – This fund was established in 2002 to account for projects that will improve environmentally distressed areas within the City of Troy.

## **Debt Administration**

At June 30, 2005, the City had a number of debt issues outstanding. These issues included \$73,677,271 being serviced by Governmental Funds and \$12,000,000 by Proprietary Fund types. All three major rating agencies (Fitch Ratings, Moody's and Standard and Poor's) gave the City a "AAA" rating for general obligation bonds.

## **Cash Management**

The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities.

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, commercial paper, obligations of the U.S. Treasury and government pooled investment accounts. The Pension Trust Fund investment portfolio also includes corporate bonds, stocks and mutual funds.

The City administers an aggressive cash management and investment program. The following investment objectives are utilized in the management of City funds: the primary objective is the preservation of capital and protection of investment principal; provide sufficient liquidity to meet the City's projected operating and capital requirements; control risk by diversifying investments and maximize the return of the portfolio while avoiding unreasonable investment risk.

## Tax Rate Limitations

The City Charter provides tax rate limitations for general operations. In addition, the City of Troy may levy taxes in excess of the Charter limitation for refuse collection and debt service.

<u>PURPOSE</u>	<u>AUTHORITY</u>	<u>RATE PER \$1,000 OF TAXABLE VALUE</u>
General Operating	City Charter	\$10.00*
Refuse Collection	Act 298, P.A. of Michigan 1917 as Amended,	3.00*
Disposal	Article IX, Section 56 of Michigan Constitution	
Debt Service	City Charter	Amount Necessary for debt payment

\*The maximum permitted general operating and refuse collection and disposal per Headlee Amendment of the Michigan Constitution for fiscal year 2005 was 8.5307 and 2.5592, respectively.

## Risk Management

The City has entered into a public entity risk pool with other Michigan units of government by joining the Michigan Municipal Risk Management Authority for its general liability insurance, including auto and public official liability as well as property damage insurance.

The City has also entered into a joint agreement with other Michigan units of government by joining the Michigan Municipal Workers' Compensation Fund for its workers' compensation insurance.

## ~OTHER INFORMATION

### Independent Audit

The City Charter and State statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Rehmann Robson, was selected by the City Council. The City received an "unqualified opinion" from Rehmann Robson, which is the best opinion that an organization can receive on its financial statements.

It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

Additionally, during the current year an audit was performed in accordance with the requirements of the *Single Audit Act Amendments of 1996 (P.L. 104456)*. The auditor's reports related to the single audit are issued as a part of this report.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Troy, Michigan for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2004.

This was the eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report*. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

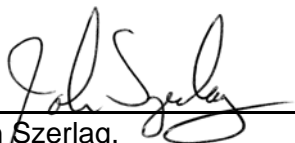
A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The City has also received the GFOA *Distinguished Budget Presentation Award* and the *Award for Outstanding Achievement in Popular Annual Financial Reporting*.

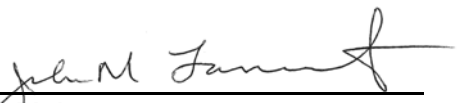
## Acknowledgements

The preparation of the *Comprehensive Annual Financial Report* on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department.

Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,

  
\_\_\_\_\_  
John Szerlag,  
City Manager

  
\_\_\_\_\_  
John M. Lamerato,  
Assistant City Manager/Finance & Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Troy,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



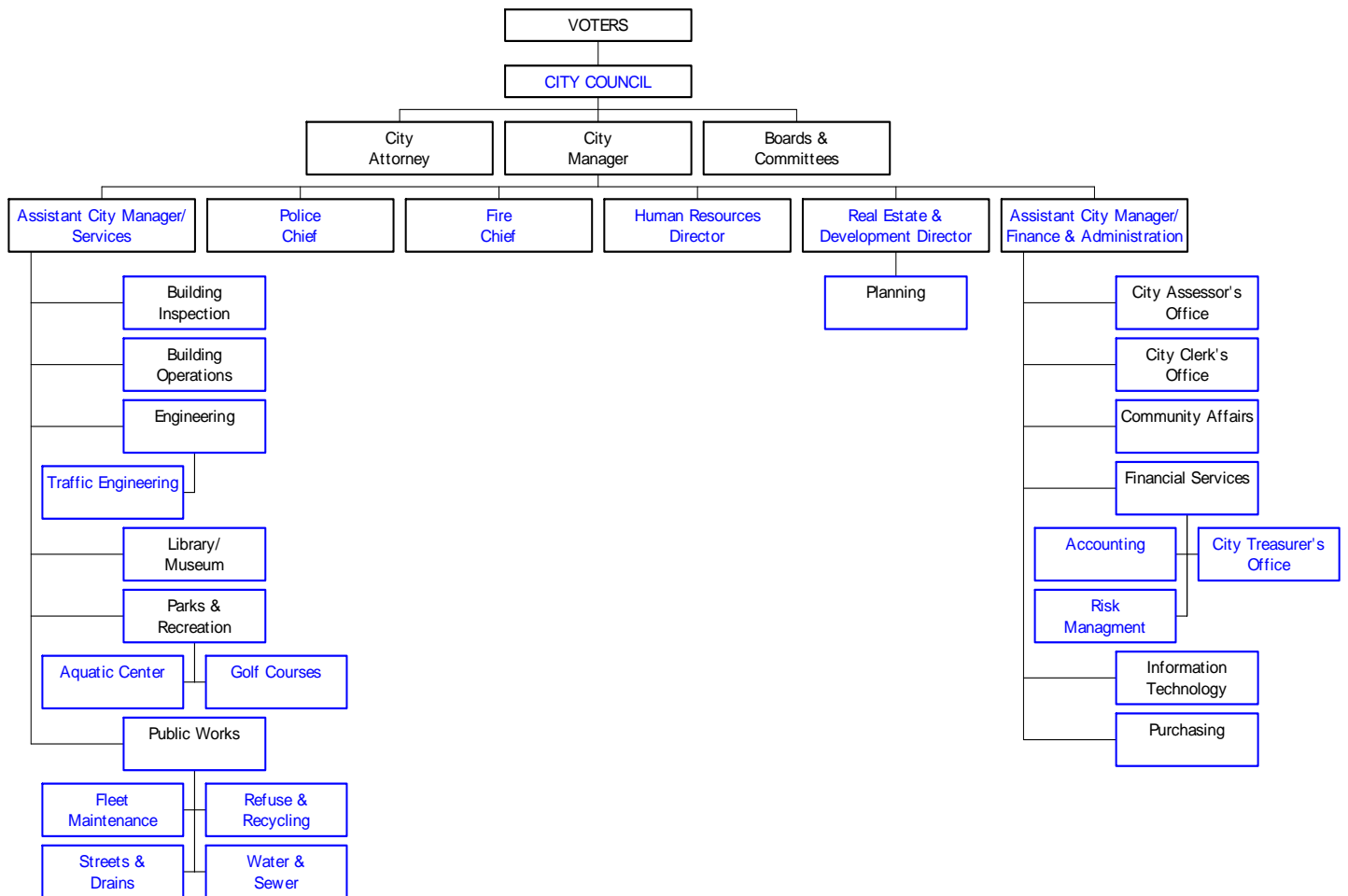
A handwritten signature in cursive script, reading "Nancy L. Ziehlke".

President

A handwritten signature in cursive script, reading "Jeffrey R. Emer".

Executive Director

# ORGANIZATIONAL CHART 2004/05



## LIST OF PRINCIPAL OFFICIALS

<u>TITLE</u>	<u>NAME</u>
CITY MANAGER	<i>John Szerlag</i>
CITY ATTORNEY	<i>Lori Grigg Bluhm</i>
ASSISTANT CITY MANAGER – FINANCE & ADMINISTRATION	<i>John M. Lamerato</i>
ASSISTANT CITY MANAGER – SERVICES	<i>Brian P. Murphy</i>
BUILDING AND ZONING DIRECTOR	<i>Mark S. Stimac</i>
CITY ASSESSOR	<i>Leger A. Licari</i>
CITY CLERK	<i>Tonni Bartholomew</i>
CITY ENGINEER	<i>Steven J. Vandette</i>
CITY TREASURER	<i>Sandra L. Kasperek</i>
COMMUNITY AFFAIRS DIRECTOR	<i>Cynthia A. Stewart</i>
FINANCIAL SERVICES DIRECTOR	<i>James A. Nash</i>
FIRE CHIEF	<i>William S. Nelson</i>
HUMAN RESOURCES DIRECTOR	<i>Peggy E. Clifton</i>
INFORMATION TECHNOLOGY DIRECTOR	<i>Gertrude M. Paraskevin</i>
LIBRARY DIRECTOR	<i>Brian H. Stoutenburg</i>
PARKS AND RECREATION DIRECTOR	<i>Carol K. Anderson</i>
PLANNING DIRECTOR	<i>Mark F. Miller</i>
POLICE CHIEF	<i>Charles T. Craft</i>
PUBLIC WORKS DIRECTOR	<i>Timothy L. Richnak</i>
PURCHASING DIRECTOR	<i>Jeanette Bennett</i>
REAL ESTATE AND DEVELOPMENT DIRECTOR	<i>Douglas J. Smith</i>
RISK MANAGER	<i>Stephen Cooperrider</i>
SUPERINTENDENT OF BUILDING OPERATIONS	<i>Steven A. Pallotta</i>
SUPERINTENDENT OF FLEET MAINTENANCE	<i>Sam P. Lamerato</i>
SUPERINTENDENT OF STREETS AND DRAINS	<i>Thomas Rosewarne</i>
SUPERINTENDENT OF WATER	<i>Michael Karloff</i>

**CITY OF TROY, MICHIGAN  
FUND ORGANIZATION CHART**

**Governmental Funds**

General\*

Special Revenue

- Downtown Development Authority
- Major Streets
- Local Streets
- Refuse
- Community Development Block Grant (CDBG)
- Budget Stabilization
- Local Development Financing Authority

Debt Service

- Proposal A
- Proposal B
- Proposal C
- General Debt Service
- Downtown Development Authority (DDA) Debt\*

Capital Projects\*

Permanent

- Cemetery Perpetual Care

**Proprietary Funds**

Enterprise

- Water\*
- Sanitary Sewer\*
- Aquatic Center
- Sylvan Glen Golf Course Fund
- Sanctuary Lake Golf Course Fund\*

Internal Service

- Compensated Absences
- Unemployment Compensation
- Custodial Services
- Information Technology
- Motor Equipment
- Workers Compensation

**Fiduciary Funds**

Pension Trust

- Employees' Retirement
- Fire Incentive Reserve

Agency

- Agency

Component Units

- Brownfield Redevelopment Authority

\*Major funds under GASB No.34

## **FINANCIAL SECTION**





**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT**

September 27, 2005

To the Honorable Mayor and City Council  
City of Troy, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***City of Troy, Michigan (the "City")***, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***City of Troy, Michigan***, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3-10 and the Schedule of Funding Progress on pages 65-68 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City's** basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "Lehmann Johnson".

## **CITY OF TROY, MICHIGAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Troy's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the transmittal letter, which begins on page VI and the City's financial statements, which begins on page 11.

### **Financial Highlights**

- The City's combined total net assets are reported as \$347.5 million for the fiscal year ended June 30, 2005, compared to \$344.9 last fiscal year.
- During the year, the City's expenses were \$1.8 million less than the \$82.3 million generated in taxes, charges for services, and other revenues for governmental programs.
- In the City's business-type activities, revenues generated \$27.3 million, while expenses totaled \$25.7 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$106.2 million.
- Total net assets increased \$2.6 million.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements. The first two statements, the *Statement of Net Assets* and the *Statement of Activities*, provide information about the activities of the City of Troy as a whole and present a longer-term view of the City's finances. The remaining statements, including governmental funds, proprietary funds, and fiduciary funds focus on how City services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City of Troy's operations in more detail than the government-wide financial statements.

The financial statements include notes that explain and provide more detailed data about some of the information found in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental, business-type, internal service, and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-wide Statements**

The government-wide statements report information about the City of Troy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the change in the difference between the City's assets and liabilities. This change in net assets is an indicator of whether the City's financial health is improving or deteriorating. In order to assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure.

The government-wide financial statements of the City of Troy are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as police, fire, public works, parks and recreation, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- Business-type activities – The City charges fees to customers to help cover the cost of certain services it provides. The City's business-type activities include water, sanitary sewer, Aquatic Center, and two public golf courses.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City of Troy has three types of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on how cash, and other financial assets that can readily be converted to cash, flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental fund statements focus on a short-term view rather than the long-term focus of the government-wide statements, so additional information is provided after the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Proprietary funds – Proprietary funds are used to report services where the City charges customers a fee for services rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.
  - Enterprise funds and business-type activities are the same, but the fund statements provide more detail and additional information such as cash flows.
  - Internal Service funds are used to report activities that provide supplies and services for the City's other programs. Examples of internal service funds would be Motor Equipment and Information Technology.
- Fiduciary funds – The City of Troy is trustee for its employee pension plans. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**The City of Troy as a Whole**

The City's combined total net assets for the fiscal year ended June 30, 2005 is \$347.5 million. Business-type activities comprise \$142.1 and governmental activities make up \$205.4 of the total net assets.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$72.5 million. \$32.5 million is the amount of unrestricted net assets reported for the City of Troy's governmental activities.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The table below shows the comparison of total assets, total liabilities, and total net assets (in millions of dollars) in a condensed format as of June 30, 2005 to the prior year.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2005	2004	2005	2004	2005	2004
Assets:						
Current Assets	\$ 97.9	\$ 99.5	\$ 40.4	\$ 42.4	\$ 138.3	\$ 141.9
Capital Assets	196.4	196.9	114.0	111.1	310.4	308.0
<b>Total Assets</b>	<b>\$ 294.3</b>	<b>\$ 296.4</b>	<b>\$ 154.4</b>	<b>\$ 153.5</b>	<b>\$ 448.7</b>	<b>\$ 449.9</b>
Liabilities:						
Long-term Debt						
Outstanding	\$ 79.1	\$ 82.3	\$ 12.0	\$ 12.0	\$ 91.1	\$ 94.3
Other Liabilities	9.7	10.5	.3	.2	10.0	10.7
<b>Total Liabilities</b>	<b>\$ 88.8</b>	<b>\$ 92.8</b>	<b>\$ 12.3</b>	<b>\$ 12.2</b>	<b>\$ 101.1</b>	<b>\$ 105.0</b>
Net Assets:						
Invested in						
Capital Assets,						
Net of Debt	\$ 122.7	\$ 120.1	\$ 102.1	\$ 100.8	\$ 224.8	\$ 220.9
Restricted	50.3	1.8	-	7.3	50.3	9.1
Unrestricted	32.5	81.7	40.0	33.2	72.5	114.9
<b>Total Net Assets</b>	<b>\$ 205.5</b>	<b>\$ 203.6</b>	<b>\$ 142.1</b>	<b>\$ 141.3</b>	<b>\$ 347.6</b>	<b>\$ 344.9</b>

Total assets decreased by \$1.2 million during the year, made up of a decrease of \$2.1 million in governmental activities and a increase of \$.9 million in business type activities. The increase in capital assets was due primarily to the completion of several capital projects.

Total liabilities decreased by \$3.9 million primarily due to the reduction in long-term debt through annual debt payments. Other liabilities decreased by \$.7 million compared to the prior year.

Net assets show increases in investments in capital assets net of debt of \$3.9 million and unrestricted net assets decreased by \$42.4 million. Restricted net assets increased by \$41.2 million due to the reclassification of Capital Projects and Community and Economic Development Net Assets.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the comparison of the change in net assets (in millions of dollars) as of June 30, 2005 to the prior year, in a condensed format:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2005	2004	2005	2004	2005	2004
Program Revenues:						
Charges for Services	\$ 11.4	\$ 11.1	\$ 25.6	\$ 22.3	\$ 37.0	\$33.4
Operating Grants & Contributions	.5	.5	-	-	.5	.5
Capital Grants & Contributions	9.4	21.7	.6	-	10.0	21.7
General Revenues:						
Property Taxes	50.6	50.3	-	-	50.6	50.3
State-shared Revenues	6.9	8.3	-	-	6.9	8.3
Interest Earnings	2.5	1.5	.9	1.1	3.4	2.6
Other Revenue	0.2	2.1	0.2	.4	0.4	2.5
<b>Total Revenues</b>	<b>\$ 81.5</b>	<b>\$ 95.5</b>	<b>\$ 27.3</b>	<b>\$ 23.8</b>	<b>\$ 108.8</b>	<b>\$ 119.3</b>
Program Expenses:						
General Government	\$ 12.1	\$ 13.9	\$ -	\$ -	\$ 12.1	\$ 13.9
Public Safety	27.7	13.4	-	-	27.7	13.4
Engineering & Public Services	16.5	16.3	-	-	16.5	16.3
Community & Economic Development	.5	.6	-	-	.5	.6
Sanitation	4.4	4.4	-	-	4.4	4.4
Recreation and Culture	16.1	13.6	-	-	16.1	13.6
Interest Expense	3.2	5.0	-	-	3.2	5.0
Water	-	-	13.3	10.6	13.3	10.6
Sanitary Sewer	-	-	9.0	10.2	9.0	10.2
Golf Courses	-	-	2.8	1.3	2.8	1.3
Aquatic Center	-	-	.6	.5	.6	.5
<b>Total Expenses</b>	<b>\$ 80.5</b>	<b>\$ 67.2</b>	<b>\$ 25.7</b>	<b>\$ 22.6</b>	<b>\$ 106.2</b>	<b>\$ 89.8</b>
Increase in Net Assets before Transfers	1.0	28.3	1.6	1.2	2.6	29.5
Transfers	0.8	-	(0.8)	-	-	-
<b>Increase in Net Assets</b>	<b>1.8</b>	<b>28.3</b>	<b>0.8</b>		<b>2.6</b>	
Net Assets – Beginning of Year	203.6	175.3	141.3	140.1	344.9	315.4
<b>Net Assets – End of Year</b>	<b>\$ 205.4</b>	<b>\$ 203.6</b>	<b>\$ 142.1</b>	<b>\$ 141.3</b>	<b>\$ 347.5</b>	<b>\$ 344.9</b>

**Governmental Activities**

The City of Troy's total governmental revenue is reported at \$82.3 million, a decrease of \$13.2 million from the prior year. This was primarily attributed to a reduction in Capital Grants (Federal, State Grants) and State Shared Revenue.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Activities**

Expenses increased by \$13.3 million of which \$7.2 million was attributed to last years construction in progress adjustment for the Public Safety Administration Building.

The net increase of \$6.1 million is spread over several divisions, with recreation and culture increasing by \$2.5 million mainly attributable to ash tree removal. The public safety division would have increased by \$1.4 million prior to the construction in progress adjustment.

During the year the City continued meeting the actuarial required contributions for the defined benefit pension system and discretionary for incentive reserve fund as well as prefunding retiree healthcare benefits. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the past.

**Business-type Activities**

The City of Troy's business-type activities consist of water, sanitary sewer, Aquatic Center, and golf courses. Water and sanitary sewer services are provided to City residents through the Detroit water system and sewerage treatment plants. The large increase in charges for the services and water purchase in the water fund was due to passing along the 26% water rate increase by the City of Detroit. Revenues for business-type activities were \$27.3 million. Items include water service charges (\$13.5 million), sanitary sewer service charges (\$9.6 million), and \$2.2 million from the operations of the City's two golf courses.

**The City of Troy's Funds**

Analysis of the City of Troy's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Troy as a whole. Funds are created to help manage money for specific purposes, as well as to show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The City of Troy's major funds for 2005 include the General Fund, DDA Debt Service, Capital Projects, Water, Sanitary Sewer, and Sanctuary Lake Golf Course Fund. The General Fund pays for most of the City of Troy's governmental services.

**General Fund Budgetary Highlights**

Over the course of the year, City Council amended the budget to take into account events during the year. The most significant was to recognize an increase in charges for Services – Sales and fees, and to provide additional funding for fire prevention and Parks and Recreation Activities. Revenue received for the fiscal year came in \$2.6 million over the budgeted amount.



**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overall expenses for the City were 4.3 percent or \$2.6 million less than the budgeted amount due to a conservative spending policy, delays in filling vacant positions, and reduction of cost of certain insurances due to rebidding, and reduction in benefit levels.

**Capital Asset and Debt Administration**

At the end of 2005, the City of Troy had \$310.4 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure.

Additional information about the City's capital assets is presented in Note 1 and Note 5 to the financial statements.

The City of Troy's debt rating is excellent. We maintain a AAA by Fitch Ratings, Moody's, and Standard and Poor's. The City of Troy's bond indebtedness totaled \$85.7 million at June 30, 2005. Additional information about the City's long-term debt can be found in Note 8 to the financial statements.

**Current Economic Events**

The City of Troy's budget for 2006 calls for a freeze on property tax rates. These rates have remained the same or lower since July 1, 1996. Property taxes make up approximately 57 percent of our General Fund budget. Because of the impact of Proposal A and State of Michigan budget woes, the City of Troy is utilizing a portion of our undesignated fund balance to balance the budget. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or five percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City of Troy will grow less than inflation before considering new property additions. With conservative budget forecasting of revenues and realistic expenditure estimates, we hope to limit the use of fund balance.

State shared revenue payments decreased by \$195,357 this past year. When comparing this annual amount to the amount we received three years ago, we are receiving \$1.4 million less. The State is still experiencing financial woes so we have adjusted our revenue forecast to reflect the State's economy, and the likelihood of future reductions.

The City purchases its water and sewer services from the City of Detroit. Historically, we have passed along the full water and sewer rate increases to our customers. The City's rate structure enables us to provide water and sewer service to our citizens as well as pay for operations, maintenance and improvements to the system.

**CITY OF TROY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City still prides itself on having one of the lowest combined water and sewer rates of any southeastern Michigan community.

**Contacting the City of Troy's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City of Troy's financial condition.

If you have questions about this report or need additional information, we welcome you to contact the administrative offices at City Hall, 500 W. Big Beaver, Troy, Mi 48084. Additional information can be obtained at the City of Troy's web site, [www.troymi.gov](http://www.troymi.gov).

**City of Troy, Michigan**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Unit</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 47,621,110	\$ 12,150,067	\$ 59,771,177	\$ 10,440
Investments	38,203,882	19,805,107	58,008,989	9,763
Receivables (net)	10,896,382	8,188,498	19,084,880	52
Internal balances	263,251	(263,251)	-	-
Other assets	872,080	493,929	1,366,009	-
Capital assets:				
Assets not being depreciated	33,606,152	11,460,091	45,066,243	-
Assets being depreciated, net	162,817,139	102,585,634	265,402,773	-
<b>Total assets</b>	<u>294,279,996</u>	<u>154,420,075</u>	<u>448,700,071</u>	<u>20,255</u>
<b>Liabilities</b>				
Accounts payable	6,887,877	178,048	7,065,925	-
Accrued payroll	2,021,236	-	2,021,236	-
Accrued liabilities	800,440	54,752	855,192	-
Unearned revenue	-	105,402	105,402	-
Noncurrent liabilities:				
Due within one year	6,328,510	200,000	6,528,510	701,704
Due in more than one year	72,773,935	11,800,000	84,573,935	-
<b>Total liabilities</b>	<u>88,811,998</u>	<u>12,338,202</u>	<u>101,150,200</u>	<u>701,704</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	122,746,020	102,045,725	224,791,745	-
Restricted for:				
Debt service	6,200,419	-	6,200,419	-
Highways and streets	3,817,960	-	3,817,960	-
Capital projects	31,577,789	-	31,577,789	-
Community and economic development	6,546,576	-	6,546,576	-
Perpetual care	161,558	-	161,558	-
Other purposes	1,923,644	-	1,923,644	-
Unrestricted	32,494,032	40,036,148	72,530,180	(681,449)
<b>Total net assets (deficit)</b>	<u>\$ 205,467,998</u>	<u>\$ 142,081,873</u>	<u>\$ 347,549,871</u>	<u>\$ (681,449)</u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 12,047,579	\$ 3,213,382	\$ 475	\$ 1,300	\$ (8,832,422)
Public safety	27,736,351	2,694,665	256,788	57,798	(24,727,100)
Public works	16,475,289	1,380,977	-	9,261,214	(5,833,098)
Sanitation	4,433,033	1,410	-	-	(4,431,623)
Community and economic development	519,845	-	53,604	6,385	(459,856)
Recreation and culture	16,059,077	4,080,652	180,357	143,226	(11,654,842)
Interest on long-term debt	3,222,419	-	-	-	(3,222,419)
Total governmental activities	80,493,593	11,371,086	491,224	9,469,923	(59,161,360)
Business-type activities:					
Water	13,307,382	13,518,168	-	266,735	477,521
Sewer	8,980,641	9,623,410	-	366,756	1,009,525
Aquatic center	561,096	278,125	-	-	(282,971)
Sylvan Glen golf coarse	1,106,041	1,198,744	-	-	92,703
Sanctuary Lake golf coarse	1,751,721	962,132	-	-	(789,589)
Total business-type activities	25,706,881	25,580,579	-	633,491	507,189
Total primary government	\$ 106,200,474	\$ 36,951,665	\$ 491,224	\$ 10,103,414	\$ (58,654,171)
Component unit:					
Brownfield redevelopment authority	\$ 84,418	\$ -	\$ -	\$ -	\$ (84,418)

continued...

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2005**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (59,161,360)	\$ 507,189	\$ (58,654,171)	\$ (84,418)
General revenues:				
Property taxes	32,567,158	-	32,567,158	679,989
Property taxes for sanitary purposes	4,010,718	-	4,010,718	-
Property taxes for economic development	3,550,310	-	3,550,310	-
Property taxes for capital projects	8,023,596	-	8,023,596	-
Property taxes for debt service	2,418,719	-	2,418,719	-
State shared revenue, unrestricted	6,906,372	-	6,906,372	-
Grants and contributions not restricted to specific programs	61,890	196,561	258,451	-
Unrestricted investment earnings	2,508,127	910,557	3,418,684	2,984
Gain on sale of capital assets	107,486	-	107,486	-
Transfers - internal activities	830,140	(830,140)	-	-
Total general revenues and transfers	60,984,516	276,978	61,261,494	682,973
Change in net assets	1,823,156	784,167	2,607,323	598,555
Net assets (deficit), beginning of year, as restated	203,644,842	141,297,706	344,942,548	(1,280,004)
<b>Net assets (deficit), end of year</b>	<u>\$ 205,467,998</u>	<u>\$ 142,081,873</u>	<u>\$ 347,549,871</u>	<u>\$ (681,449)</u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<b>General</b>	<b>Capital Projects</b>	<b>DDA Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 17,764,518	\$ 15,845,541	\$ -	\$ 7,916,536	\$ 41,526,595
Investments	7,097,969	13,579,710	3,398,464	8,428,404	32,504,547
Receivables:					
Accounts receivable (net)	1,481,952	42,294	-	-	1,524,246
Taxes-delinquent	1,096,420	-	-	526,306	1,622,726
Special assessments	-	1,488,555	-	239,725	1,728,280
Interest and dividends	35,734	73,004	-	42,231	150,969
Due from other funds	2,523,278	2,337	-	-	2,525,615
Due from other governments	2,373,031	2,581,872	-	874,434	5,829,337
Inventory	150,687	-	-	-	150,687
Prepaid expenditures	558,301	-	-	-	558,301
Total assets	<u>\$ 33,081,890</u>	<u>\$ 33,613,313</u>	<u>\$ 3,398,464</u>	<u>\$ 18,027,636</u>	<u>\$ 88,121,303</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 5,908,650	\$ 979,227	\$ -	\$ -	\$ 6,887,877
Accrued payroll	2,021,236	-	-	-	2,021,236
Due to other funds	2,337	251,093	1,932,208	77,704	2,263,342
Other liabilities	5,839	148,765	-	-	154,604
Deferred revenue	1,336,636	656,439	-	766,031	2,759,106
Total liabilities	<u>9,274,698</u>	<u>2,035,524</u>	<u>1,932,208</u>	<u>843,735</u>	<u>14,086,165</u>
<b>Fund balances:</b>					
Reserved for:					
Debt service	-	-	1,466,256	4,734,163	6,200,419
Encumbrances	-	836,374	-	-	836,374
Inventory and Prepaid items	708,988	-	-	-	708,988
Project commitments	-	4,181,897	-	-	4,181,897
Unreserved, reported in:					
General fund	23,098,204	-	-	-	23,098,204
Special revenue funds	-	-	-	12,288,180	12,288,180
Capital project funds	-	26,559,518	-	-	26,559,518
Permanent fund	-	-	-	161,558	161,558
Total fund balances	<u>23,807,192</u>	<u>31,577,789</u>	<u>1,466,256</u>	<u>17,183,901</u>	<u>74,035,138</u>
Total liabilities and fund balances	<u>\$ 33,081,890</u>	<u>\$ 33,613,313</u>	<u>\$ 3,398,464</u>	<u>\$ 18,027,636</u>	<u>\$ 88,121,303</u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2005**

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Fund balances - total governmental funds	\$	74,035,138
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated		33,595,904
Add: capital assets being depreciated		287,590,523
Deduct: accumulated depreciation		(128,577,919)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenues		2,759,106
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Internal service funds are used by management to charge the costs of certain equipment usage, public service department and retiree health care costs to individual governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service funds		10,537,123
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: accrued interest payable		(645,836)
Deduct: bonds payable		(73,677,271)
Deduct: claims incurred but not reported		(148,770)

Net assets of governmental activities	\$	205,467,998
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The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<b>General</b>	<b>Capital Projects</b>	<b>DDA Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property taxes	\$ 32,300,414	\$ 9,036,196	\$ -	\$ 10,118,627	\$ 51,455,237
Licenses and permits	1,607,445	-	-	-	1,607,445
Intergovernmental:					
Federal sources	126,091	2,742,610	-	59,989	2,928,690
State sources	7,072,396	776,005	-	5,096,355	12,944,756
Local sources	165,154	-	-	-	165,154
Charges for services	6,518,188	2,073,353	-	3,190	8,594,731
Fines and forfeitures	973,527	-	-	-	973,527
Investment earnings	605,556	1,045,981	43,678	517,852	2,213,067
Other	2,544,587	44,767	-	228,427	2,817,781
Total revenues	<u>51,913,358</u>	<u>15,718,912</u>	<u>43,678</u>	<u>16,024,440</u>	<u>83,700,388</u>
<b>Expenditures</b>					
Current:					
General government	8,978,687	-	-	-	8,978,687
Public safety	27,203,034	-	-	-	27,203,034
Public works	7,855,513	-	-	-	7,855,513
Sanitation	-	-	-	4,432,841	4,432,841
Community development	-	-	-	474,591	474,591
Recreation and culture	13,263,560	-	-	-	13,263,560
Debt service					
Principal	-	179,955	1,505,000	1,425,000	3,109,955
Interest and fees	-	104,492	1,485,384	1,656,334	3,246,210
Capital Outlay	-	14,791,534	-	-	14,791,534
Total expenditures	<u>57,300,794</u>	<u>15,075,981</u>	<u>2,990,384</u>	<u>7,988,766</u>	<u>83,355,925</u>
Revenues over (under) expenditures	<u>(5,387,436)</u>	<u>642,931</u>	<u>(2,946,706)</u>	<u>8,035,674</u>	<u>344,463</u>
<b>Other financing sources (uses)</b>					
Transfers in	7,498,875	2,477,234	2,990,385	3,562,837	16,529,331
Transfers out	-	(3,827,234)	-	(11,871,957)	(15,699,191)
Proceeds from sale of capital assets	-	74,985	-	-	74,985
Total other financing sources (uses)	<u>7,498,875</u>	<u>(1,275,015)</u>	<u>2,990,385</u>	<u>(8,309,120)</u>	<u>905,125</u>
Net change in fund balances	2,111,439	(632,084)	43,679	(273,446)	1,249,588
Fund balances, beginning of year, as restated	<u>21,695,753</u>	<u>32,209,873</u>	<u>1,422,577</u>	<u>17,457,347</u>	<u>72,785,550</u>
<b>Fund balances, end of year</b>	<u>\$23,807,192</u>	<u>\$31,577,789</u>	<u>\$ 1,466,256</u>	<u>\$ 17,183,901</u>	<u>\$ 74,035,138</u>

The accompanying notes are an integral part of these financial statements.



**City of Troy, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Fund:**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Net change in fund balances - total governmental funds	\$ 1,249,588
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	11,687,356
Deduct: depreciation expense	(11,997,408)
Deduct: Book basis in capital assets sold	(63,197)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenue	(2,197,214)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	3,109,955
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Internal service funds are used by management to charge the costs of certain equipment, public service department and employee insurance costs to individual governmental funds. The net revenue (expense) attributable to those funds are reported with governmental activities.

Deduct: net loss from governmental activities in the internal service funds	(34,675)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest expense	23,791
Add: decrease in accrued claims payable	44,960

Change in net assets of governmental activities	\$ 1,823,156
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The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 31,996,690	\$ 31,996,690	\$ 32,300,414	\$ 303,724
Licenses and permits	1,517,000	1,517,000	1,607,445	90,445
Intergovernmental:				
Federal sources	22,000	197,000	126,091	(70,909)
State sources	6,645,000	6,645,000	7,072,396	427,396
Local sources	135,000	185,000	165,154	(19,846)
Charges for services	5,830,100	6,205,100	6,518,188	313,088
Fines and forfeitures	975,000	975,000	973,527	(1,473)
Investment earnings	400,000	450,000	605,556	155,556
Other	1,064,110	1,064,110	2,544,587	1,480,477
Total revenues	<u>48,584,900</u>	<u>49,234,900</u>	<u>51,913,358</u>	<u>2,678,458</u>
<b>Expenditures</b>				
General government:				
Council and Executive Administration	2,025,620	2,025,620	1,980,390	45,230
Finance	4,840,690	4,840,690	4,419,538	421,152
Other	2,619,120	2,669,120	2,578,759	90,361
Total general government	<u>9,485,430</u>	<u>9,535,430</u>	<u>8,978,687</u>	<u>556,743</u>
Public safety:				
Police	22,059,220	22,059,220	21,192,301	866,919
Fire	3,899,000	4,149,000	4,071,775	77,225
Building Inspection	2,075,770	2,075,770	1,938,958	136,812
Total public safety	<u>28,033,990</u>	<u>28,283,990</u>	<u>27,203,034</u>	<u>1,080,956</u>
Public works:				
Roads and streets	5,412,320	5,412,320	5,074,870	337,450
Engineering	3,013,880	3,013,880	2,780,643	233,237
Total public works	<u>8,426,200</u>	<u>8,426,200</u>	<u>7,855,513</u>	<u>570,687</u>
Culture and recreation:				
Parks and recreation	8,375,320	8,725,320	8,504,982	220,338
Library and museum	4,908,410	4,908,410	4,758,578	149,832
Total culture and recreation	<u>13,283,730</u>	<u>13,633,730</u>	<u>13,263,560</u>	<u>370,170</u>
Total expenditures	<u>59,229,350</u>	<u>59,879,350</u>	<u>57,300,794</u>	<u>2,578,556</u>
Revenues over (under) expenditures	(10,644,450)	(10,644,450)	(5,387,436)	5,257,014
<b>Other financing sources (uses)</b>				
Transfers in	7,545,020	7,545,020	7,498,875	(46,145)
Net change in fund balances	<u>(3,099,430)</u>	<u>(3,099,430)</u>	<u>2,111,439</u>	<u>5,210,869</u>
Fund balance, beginning of year, as restated	<u>21,695,753</u>	<u>21,695,753</u>	<u>21,695,753</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 18,596,323</u></u>	<u><u>\$ 18,596,323</u></u>	<u><u>\$ 23,807,192</u></u>	<u><u>\$ 5,210,869</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 2,165,133	\$ 8,889,134	\$ 500	\$ 1,095,300	\$ 12,150,067	\$ 6,094,515
Investments	10,487,231	8,745,164	-	572,712	19,805,107	5,699,335
Interest receivable	13,640	49,645	-	5,503	68,788	30,639
Accounts receivable:					-	
Billed	1,617,101	13,486	6,699	18,392	1,655,678	10,185
Unbilled	3,435,043	2,434,576	-	-	5,869,619	-
Due from other funds	-	-	-	701,305	701,305	
Inventories	414,616	37,606	15,305	26,402	493,929	163,092
Total current assets	<u>18,132,764</u>	<u>20,169,611</u>	<u>22,504</u>	<u>2,419,614</u>	<u>40,744,493</u>	<u>11,997,766</u>
Noncurrent assets:						
Contracts receivable	234,771	359,642	-	-	594,413	-
Capital assets not being depreciated	4,507,848	2,826,978	2,213,463	1,911,802	11,460,091	10,248
Capital assets being depreciated net of accumulated depreciation	60,730,305	29,214,070	9,711,266	2,929,993	102,585,634	3,804,535
Total capital assets, net of accumulated depreciation	<u>65,238,153</u>	<u>32,041,048</u>	<u>11,924,729</u>	<u>4,841,795</u>	<u>114,045,725</u>	<u>3,814,783</u>
Total noncurrent assets	<u>65,472,924</u>	<u>32,400,690</u>	<u>11,924,729</u>	<u>4,841,795</u>	<u>114,640,138</u>	<u>3,814,783</u>
Total assets	<u>83,605,688</u>	<u>52,570,301</u>	<u>11,947,233</u>	<u>7,261,409</u>	<u>155,384,631</u>	<u>15,812,549</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	157,251	20,797	-	-	178,048	-
Due to other funds	-	-	701,305	262,273	963,578	-
Accrued liabilities	9,175	-	45,577	-	54,752	-
Compensated absences	-	-	-	-	-	3,024,996
Unearned revenue	59,802	-	-	45,600	105,402	
Current portion of bonds payable	-	-	200,000	-	200,000	-
Total current liabilities	<u>226,228</u>	<u>20,797</u>	<u>946,882</u>	<u>307,873</u>	<u>1,501,780</u>	<u>3,024,996</u>
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	2,251,408
Bonds payable	-	-	11,800,000	-	11,800,000	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>11,800,000</u>	<u>-</u>	<u>11,800,000</u>	<u>2,251,408</u>
Total liabilities	<u>226,228</u>	<u>20,797</u>	<u>12,746,882</u>	<u>307,873</u>	<u>13,301,780</u>	<u>5,276,404</u>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	65,238,153	32,041,048	(75,271)	4,841,795	102,045,725	3,814,783
Unrestricted	18,141,307	20,508,456	(724,378)	2,111,741	40,037,126	6,721,362
Total net assets (deficit)	<u>\$ 83,379,460</u>	<u>\$ 52,549,504</u>	<u>\$ (799,649)</u>	<u>\$ 6,953,536</u>	<u>142,082,851</u>	<u>\$ 10,536,145</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					(978)	
Net assets of business type activities					<u>\$ 142,081,873</u>	

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanctuary Lake Golf Course</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Operating revenues</b>						
Charges for services	\$ 12,337,110	\$ 9,623,410	\$ 726,996	\$ 1,293,366	\$ 23,980,882	\$ 7,271,555
Rental:						-
Golf course	-	-	235,136	226,180	461,316	-
Restaurant	-	-	-	78,000	78,000	-
Hydrant	131,000	-	-	-	131,000	-
Building	-	-	-	-	-	185,522
Equipment	-	-	-	-	-	3,398,277
Tap and connections fees	696,059	-	-	-	696,059	-
Penalties	341,295	-	-	-	341,295	-
Other services	49,311	95	-	39,181	88,587	-
Other services to City funds	-	-	-	-	-	362,065
<b>Total operating revenues</b>	<b>13,554,775</b>	<b>9,623,505</b>	<b>962,132</b>	<b>1,636,727</b>	<b>25,777,139</b>	<b>11,217,419</b>
<b>Operating expenses</b>						
Cost of sales and services	9,278,317	6,959,564	-	-	16,237,881	7,873,733
General and administrative	628,721	435,187	-	-	1,063,908	495,491
Operations	1,885,014	603,283	913,687	1,339,257	4,741,241	2,236,092
Depreciation	1,513,230	983,378	325,710	329,521	3,151,839	1,038,514
<b>Total operating expenses</b>	<b>13,305,282</b>	<b>8,981,412</b>	<b>1,239,397</b>	<b>1,668,778</b>	<b>25,194,869</b>	<b>11,643,830</b>
<b>Operating income (loss)</b>	<b>249,493</b>	<b>642,093</b>	<b>(277,265)</b>	<b>(32,051)</b>	<b>582,270</b>	<b>(426,411)</b>
<b>Non-operating revenues (expenses)</b>						
Investment earnings	377,320	481,995	300	50,942	910,557	295,060
Interest expense	-	-	(511,033)	-	(511,033)	-
Gain on sale of capital assets	-	-	-	-	-	95,698
<b>Total non-operating revenues (expenses)</b>	<b>377,320</b>	<b>481,995</b>	<b>(510,733)</b>	<b>50,942</b>	<b>399,524</b>	<b>390,758</b>
<b>Income before contributions and transfers</b>	<b>626,813</b>	<b>1,124,088</b>	<b>(787,998)</b>	<b>18,891</b>	<b>981,794</b>	<b>(35,653)</b>
Federal grants	-	7,718	-	-	7,718	-
Developer contributions	266,735	359,038	-	-	625,773	-
Transfers out	-	(830,140)	-	-	(830,140)	-
<b>Change in net assets</b>	<b>893,548</b>	<b>660,704</b>	<b>(787,998)</b>	<b>18,891</b>	<b>785,145</b>	<b>(35,653)</b>
Net assets (deficit), beginning of year, as restated	82,485,912	51,888,800	(11,651)	6,934,645		10,571,798
<b>Net assets (deficit), end of year</b>	<b>\$ 83,379,460</b>	<b>\$52,549,504</b>	<b>\$ (799,649)</b>	<b>\$ 6,953,536</b>		<b>\$ 10,536,145</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(978)	
Change in net assets of business-type activities					\$ 784,167	

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>						
Cash received from customers and others	\$ 12,475,803	\$ 9,360,528	\$ 962,113	\$ 1,696,484	\$ 24,494,928	\$ -
Cash received from interfund services	-	-	-	-	-	11,207,376
Cash payments to employees	(1,561,747)	(780,022)	(201,388)	(763,078)	(3,306,235)	(7,241,349)
Cash payments to suppliers for goods and services	(9,849,850)	(7,080,325)	(710,436)	(561,685)	(18,202,296)	(3,666,483)
Cash payments for interfund services	(339,619)	(201,852)	436,430	(49,046)	(154,087)	-
Net cash provided (used) by operating activities	724,587	1,298,329	486,719	322,675	2,832,310	299,544
<b>Cash flows from non-capital financing activities</b>						
Subsidy from federal grant	-	7,718	-	-	7,718	-
Advances to other funds	-	-	-	(450,865)	(450,865)	-
Transfers to other funds	-	(830,140)	-	-	(830,140)	-
Net cash provided (used) by non-capital financing activities	-	(822,422)	-	(450,865)	(1,273,287)	-
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(3,372,755)	(88,713)	-	(62,876)	(3,524,344)	(853,174)
Bond/note interest payments	-	-	(511,033)	-	(511,033)	-
Net cash provided (used) by capital and related financing activities	(3,372,755)	(88,713)	(511,033)	(62,876)	(4,035,377)	(853,174)
<b>Cash flows from investing activities</b>						
Proceeds from sale of investments	5,357,958	1,365,684	11,740	681,833	7,417,215	4,606,495
Purchases of investments	(9,709,790)	(2,318,870)	-	(420,170)	(12,448,830)	(4,519,367)
Investment earnings	373,569	457,981	330	47,561	879,441	279,132
Net cash provided (used) by investing activities	(3,978,263)	(495,205)	12,070	309,224	(4,152,174)	366,260
Net increase (decrease) in cash and cash equivalents	(6,626,431)	(108,011)	(12,244)	118,158	(6,628,528)	(187,370)
Cash and cash equivalents, beginning of year	8,791,564	8,997,145	12,744	977,142	18,778,595	6,281,885
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,165,133</u>	<u>\$ 8,889,134</u>	<u>\$ 500</u>	<u>\$ 1,095,300</u>	<u>\$ 12,150,067</u>	<u>\$ 6,094,515</u>

The accompanying notes are an integral part of these financial statements.

Continued...

**City of Troy, Michigan**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanctuary Lake Golf Course</b>	<b>Nonmajor Business-Type Activities</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 249,493	\$ 642,093	\$ (277,265)	\$ (32,051)	\$ 582,270	\$ (426,411)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,513,230	983,378	325,710	329,521	3,151,839	1,038,514
Changes in assets and liabilities:						
Accounts receivable	(1,114,192)	(314,072)	(19)	14,157	(1,414,126)	(10,043)
Due from other funds	-	-	-	-	-	-
Inventories	(41,489)	(2,834)	(12,305)	(1,170)	(57,798)	(20,902)
Prepaid items	-	-	-	-	-	-
Contracts receivable	34,123	51,095	-	-	85,218	-
Accounts payable	86,213	(61,331)	-	-	24,882	-
Due to other funds	-	-	450,865	-	450,865	-
Accrued liabilities	(3,888)	-	(267)	(33,382)	(37,537)	-
Compensated absences	-	-	-	-	-	(281,614)
Unearned revenue	1,097	-	-	45,600	46,697	-
<b>Net cash provided by operating activities</b>	<b>\$ 724,587</b>	<b>\$ 1,298,329</b>	<b>\$ 486,719</b>	<b>\$ 322,675</b>	<b>\$ 2,832,310</b>	<b>\$ 299,544</b>
<b>Noncash investing, capital, and financing activities:</b>						
Contributions of capital assets	\$ 266,735	\$ 359,038	\$ -	\$ -	\$ 625,773	\$ -

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

	<u>Pension Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,302,151	\$ 2,023,603
Interest receivable	462,186	6,120
Taxes receivable	-	490,878
Investments:		
U.S. Government securities	9,627,331	-
Corporate bonds	32,232,136	-
Corporate equities, preferred	2,552,701	-
Corporate equities, common	92,850,151	-
Mutual funds	19,243,902	-
Real estate	3,666,260	-
Other investments	1,878,055	1,138,324
Total assets	<u>166,814,873</u>	<u>\$ 3,658,925</u>
<b>LIABILITIES</b>		
Liabilities		
Performance deposits	<u>-</u>	<u>\$ 3,658,925</u>
<b>NET ASSETS</b>		
Held in trust for pension benefit:	129,625,049	
Held in trust for postemployment healthcare benefits	<u>37,189,824</u>	
Total net assets	<u>\$ 166,814,873</u>	

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2005**

	<b>Pension Trusts</b>
<b>Additions</b>	
Contributions	
Employer contributions	\$ 2,511,821
Employee contributions	320,409
Total contributions	<u>2,832,230</u>
Investment income	
Interest	2,300,890
Dividends	2,327,650
Net appreciation in fair value	296,513
Total investment earnings	<u>4,925,053</u>
Less investment expense	<u>-</u>
Net investment income	<u>4,925,053</u>
<b>Total additions</b>	<u>7,757,283</u>
<b>Deductions</b>	
Benefits	7,058,744
Refunds of contributions	289,929
Administrative expenses	<u>18,150</u>
<b>Total deductions</b>	<u>7,366,823</u>
Net increase (decrease) in plan net assets	<u>390,460</u>
Net assets held in trust, beginning of year for:	
Pension benefits	130,658,457
Postemployment healthcare benefits	35,765,956
Total net assets held in trust, beginning of year	<u>166,424,413</u>
Net assets held in trust for	
Pension benefits	129,625,049
Postemployment healthcare benefits	37,189,824
Total net assets held in trust, end of year	<u><u>\$ 166,814,873</u></u>

The accompanying notes are an integral part of these financial statements



# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the City of Troy, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The City of Troy, Michigan was incorporated in 1955, and was formerly known as Troy Township since it was organized in 1821. The City is governed by an elected mayor and six-member council.

As required by generally accepted accounting principles, these financial statements present the City of Troy and its component units, entities for which the government is considered to be financially accountable.

#### **Component Units**

Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are also legally separate entities, but are not in substance part of the government operation. The City of Troy has one component unit, the Brownfield Redevelopment Authority, which meets the criteria for discretely presented component units. The Authority is also reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The purpose of the Brownfield Redevelopment Authority is to provide assistance for the redevelopment of abandoned, idled, or under-utilized industrial or commercial properties which are complicated by real or perceived environmental contamination. The Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Authority. The Authority is presented as a governmental fund type. Each blended component unit reported herein has a June 30<sup>th</sup> year end.

Included within the reporting entity are the Troy Municipal Building Authority and the Downtown Development Authority. The City feels that the authorities meet the minimum requirements to be considered a blended component unit. The governing body of these authorities are appointed by City Council. Their budgets and any bond issuance authorizations also are approved by the City Council and the legal liability for any general obligation debt remains with the City. The purpose of the Downtown Development Authority is to issue bonds and use tax increment financing in the accomplishment of specific Downtown Development improvements to City-owned facilities and infrastructure, which are contained in the locally adopted development plan.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **Component Units - Continued**

The purpose of the Troy Municipal Building Authority is to issue bonds for City-owned facilities and infrastructure, which are limited tax full faith and credit general obligations of the City.

#### **Basis of Presentation - Government-Wide Financial Statements**

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the Governmental Accounting Standards Board Statement No. 33.

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government and its component unit, except for its Fiduciary Funds. Those funds are reported in the statements of fiduciary net assets and changes in fiduciary net assets.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business-type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in Governmental and Internal Service Funds. Business-type activities are financed by fees charged to external parties for goods or services. These activities are reported in the City's Enterprise Funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, library collection, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

#### **Basis of Presentation - Fund Accounting**

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land and construction in progress are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings. Roads are depreciated as a class with each class containing items based on their date of construction or reconstruction. Sidewalks are depreciated by class with each class containing items based on the year of construction.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# **CITY OF TROY, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **Governmental Funds**

The City reports the following major and nonmajor governmental funds:

#### **Major Funds**

##### **General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### **Downtown Development Authority (DDA) Debt Service Fund**

The DDA Debt Service Fund is used for the payment of long-term debt and related cost of the Downtown Development Authority.

##### **Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

#### **Nonmajor Governmental Funds**

##### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

##### **Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

In addition, the City reports on the following fund types:

#### **Proprietary Funds**

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds, Aquatic Center, Golf Course Funds and the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds and Internal Service Funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary Funds focus on limitations on the use of net assets, rather than on the source of those assets.

The following Proprietary Funds are reported:

#### **Enterprise Funds**

Enterprise Funds are used to account for City operations which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

#### **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or other governments, on a cost-reimbursement basis.

The City reports the following major proprietary funds:

#### **Water Fund**

The Water Fund accounts for the operation and maintenance of the City's water supply system, capital additions and improvements.

#### **Sanitary Sewer Fund**

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sewage disposal system, capital additions and improvements.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **Sanctuary Lake Golf Course Fund**

The Sanctuary Lake Golf Course Fund accounts for the operations of the new 18-hole links style course with practice facility.

#### **Fiduciary Funds**

##### **Trust and Agency Funds**

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds of the City of Troy. These include Pension Trust Funds and an Agency Fund. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds, since capital maintenance is critical. The Pension Trust Funds account for the activities of the general employees and volunteer fireman retirement systems, which accumulate resources for pension benefits to qualified employees and volunteers during retirement. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The exception to this is state shared revenues and expenditure driven grants in which revenues are recognized if received within 90 days and one year of the end of the fiscal period, respectively. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### **Note 1 - Summary of Significant Accounting Policies - Continued**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

Certain indirect expenditures are included in the program expense reported for individual functions and activities.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All Proprietary Funds, Pension Trust Funds and Agency Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year-end.

All Proprietary Funds and the Pension Trust Funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **Budget Information**

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's "Bulletin for Audits of Local Units of Government in Michigan" dated April 1984:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by function, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or before the third Monday in April, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing on the budget is held before its final adoption.
3. As provided for by the City Charter, on or before the third Monday in May, the budget is legally adopted and by resolution designates the sum to be raised by taxation.
4. The City Manager is authorized to transfer budgeted amounts within budgetary functions; however, any revisions that alter the total expenditure of any budgetary function must be approved by the City Council.



# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

Budget amounts of the revenues and expenditures presented for the Governmental Funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted, for the General and Special Revenue Funds. Budget appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner. Budgets have been prepared on a basis consistent with generally accepted accounting principles (GAAP).

#### **Encumbrance Accounting**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the Capital Projects Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

#### **Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, domestic certificates of deposit, certain commercial paper, U.S. government repurchase agreements, bankers acceptances, mutual funds and investment pools that are composed of authorized investment vehicles.

The Pension Trust Fund investments are authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, real estate leased to public agencies, stocks, diversified investment companies, annuity investment contracts, mortgages, certain state and local government obligations, and certain other specified investment vehicles.

Investments are stated at fair value.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Note 1 - Summary of Significant Accounting Policies - Continued

#### Inventory

Inventory is stated at cost determined on a first-in, first-out basis which approximates market value. Inventories in the Governmental Funds are recorded as an expenditure when the inventory item is consumed. Inventories are equally offset by a fund balance reserve which indicates that such amounts do not constitute "available spendable resources".

#### Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items.

#### Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure acquired prior to fiscal years ended after June 30, 1980 is not reported in Capital Assets.

<u>Assets Classification</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Water and sewer transmission and distribution system	50 years
Service connections	20 years
Infrastructure	20 - 25 years
Land improvements	10 years
Building improvements	20 years
Golf course equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles and miscellaneous equipment	2 - 20 years

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 1 - Summary of Significant Accounting Policies - Continued**

#### **Accrued Vacation and Other Compensated Absences**

The City maintains an Internal Service Fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. Earned but unpaid vacation pay is fully accrued in the Compensated Absences Fund, as it is due during the fiscal year subsequent to the statement of net assets date.

The City charges departments incurring payroll costs for vacation pay benefits as they are earned on a percent of payroll basis and transfers related proceeds into the Compensated Absences Fund to pay for eventual benefits to employees. Accumulated unpaid vacation pay due to the employees of the City at June 30, 2005, was \$2,446,150.

All other compensated absences which are currently due are also accrued in the Compensated Absences Fund since it has been earned by the employee as of the statement of net assets date.

The Compensated Absences Fund also includes compensatory holiday and sick pay.

#### **Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts and issuance costs are reported as debt service expenditures.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 1 - Summary of Significant Accounting Policies - Continued

#### Fund Balance/Equity

Reservations of fund balance indicate that a portion of the fund balance is not appropriable for expenditures or is legally restricted for specific future use. Designations of fund balance indicate plans for future financial resources utilization.

### Note 2 - Stewardship, Compliance and Accountability

#### State Construction Code Act

The City oversees building construction, in accordance with the State Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since July 1, 2001 is as follows:

Shortfall at July 1, 2004		\$ (1,573,420)
Current year building permit revenue	\$ 1,532,967	
Related expenses:		
Direct costs	1,949,036	
Estimated indirect costs	<u>155,923</u>	
Total construction code expenses	<u>2,104,959</u>	
Net shortfall for the year ended June 30, 2005		<u>(571,992)</u>
Cumulative shortfall at June 30, 2005		<u>\$ (2,145,412)</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### Note 3 - Deposits and Investments

#### Statutory Authority

State statutes authorize the City to make limited investments authorized by Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), and may invest in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States. Repurchase agreements consisting of these same instruments.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than fifty percent of any fund may be invested in commercial paper at any time.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The investment policy adopted by the City Council in accordance with Public Act 20 of 1943, as amended authorizes investments in all of the above investments with the following provision: Authorized Depositories shall be designated by the City of Troy City Council.

The City of Troy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Note 3 - Deposits and Investments - Continued

The Pension Trust Funds are also authorized to invest in Stocks, Annuity Investment Contracts, Mutual Funds, Commercial Paper, Corporate Bonds, Instrumentalities of the United States, Real Estate (limited to five percent of the trust funds assets), certain state and local government obligations, and certain other specified investment vehicles.

#### **Investment and deposit risk**

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the City of Troy deposits may not be returned. State law does not require and the City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, \$65,090,917 of the City of Troy's bank deposits (certifications of deposit, checking, and cash) was exposed to custodial credit risk because they were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk - Investments.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Troy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City of Troy does not have a policy for investment custodial credit risk. At year end none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

***Interest Rate Risk.*** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City of Troy's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### Note 3 - Deposits and Investments - Continued

At year end, the average maturities of debt security Investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Ave Maturity</u>
Government-wide		
US Government or agency bond/note	\$44,690,430	270 days
Pooled Investments	13,318,560	120 days
Employees' Retirement System		
Corporate Bonds	32,232,136	3.17 years
US Government or agency bond/note	6,032,768	10 years
Discretionary Fire Incentive Reserve		
US Government or agency bond/note	3,594,563	10 years
Other	1,878,055	1 year

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City of Troy investment policy does not have specific limits in excess of state law on investment credit risk. As of year end, the credit quality ratings of debt securities (other than the U.S. Government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
<b>General Employees' Retirement System</b>			
Corporate Bonds	\$ 1,166,914	AAA	S&P
Corporate Bonds	4,282,674	AA to AA-	S&P
Corporate Bonds	16,309,985	A to A-	S&P
Corporate Bonds	3,614,285	BBB to BBB-	S&P
Corporate Bonds	6,464,372	BB to BB-	S&P
Corporate Bonds	393,906	Not Rated	
<b>Total</b>	<b>\$32,232,136</b>		

**Concentration of Credit Risk.** In compliance with State law, the City's investment policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. Through its investment policy, the City places a 5 percent limit on the amount the City may invest in any one issuer.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### **Note 4- Receivables**

Receivables, which includes amounts due from other governments at June 30, 2005, are summarized as follows:

	<u>Governments</u>	<u>Other</u>
Major Governmental Funds		
General Fund		
Due from Oakland County	\$ 143,357	\$ -
Due from State of Michigan	2,229,674	-
Invoices and advances	<u>-</u>	<u>1,481,952</u>
	2,373,031	1,481,952
Capital Projects Fund		
Due from State of Michigan	2,581,872	-
Billed Accounts Receivable	<u>-</u>	<u>42,294</u>
Total Major Governmental Funds	<u>4,954,903</u>	<u>1,524,246</u>
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	50,082	-
Major Streets Fund		
Due from State of Michigan	589,967	-
Local Streets Fund		
Due from State of Michigan	<u>234,385</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>874,434</u>	<u>-</u>
Total Governmental Funds	<u>\$ 5,829,337</u>	<u>\$ 1,524,246</u>
Major Business-Type Activities		
Water Fund		
Billed accounts receivable	\$ -	\$ 1,617,101
Unbilled accounts receivable	<u>-</u>	<u>3,435,043</u>
	-	5,052,144
Sanitary Sewer Fund		
Billed accounts receivable	-	13,486
Unbilled accounts receivable	<u>-</u>	<u>2,434,576</u>
	-	2,448,062
Sanctuary Lake Golf Course Fund		
Unbilled accounts receivable	<u>-</u>	<u>6,699</u>
Total Major Business-Type Activities Funds	<u>\$ -</u>	<u>\$ 7,506,905</u>
Nonmajor Business-Type Activities		
Aquatic Center Fund		
Unbilled accounts receivable	-	5,007
Sylvan Glen Golf Course Fund		
Unbilled accounts receivable	<u>-</u>	<u>13,385</u>
Total Nonmajor Business-Type Activities	<u>-</u>	<u>18,392</u>
Total Business-Type Activities	<u>-</u>	<u>7,525,297</u>
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts receivable	\$ -	\$ 10,185
Total	<u>\$ 5,829,337</u>	<u>\$ 9,059,728</u>



# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 5- Capital Assets

Capital Assets Activity of the primary government's Governmental and Business-Type Activities was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 26,173,868	\$ 2,199,516	\$ 63,197	\$ 28,310,187
Museum artifacts	1,727,845	355,000	-	2,082,845
Construction - in- Progress	<u>-</u>	<u>3,213,120</u>	<u>-</u>	<u>3,213,120</u>
Total capital assets, not being depreciated	<u>\$ 27,901,713</u>	<u>\$ 5,767,636</u>	<u>\$ 63,197</u>	<u>\$ 33,606,152</u>
Capital assets, being depreciated:				
Infrastructure - major/county/ local roads	\$ 123,793,854	\$ 6,044,845	\$ -	\$ 129,838,699
Infrastructure - local donated roads	31,056,626	510,000	-	31,566,626
Infrastructure - sidewalks	27,473,773	825,412	-	28,299,185
Infrastructure - drains	-	926,972	-	926,972
Land improvements	5,441,287	195,942	52,902	5,584,327
Buildings and improvements	76,442,055	251,990	23,797	76,670,248
Miscellaneous equipment	3,125,736	183,680	90,715	3,218,701
Computer equipment	365,327	62,176	25,056	402,447
Office furniture	1,240,414	47,028	135,819	1,151,623
Office equipment	179,295	-	-	179,295
Computer software	40,071	50,319	-	90,390
Vehicles	16,315,410	1,017,976	655,646	16,677,740
Library books/ Audio Visual	<u>5,552,274</u>	<u>734,289</u>	<u>326,668</u>	<u>5,959,895</u>
Total at historical cost	<u>\$ 291,026,122</u>	<u>\$ 10,850,629</u>	<u>\$ 1,310,603</u>	<u>\$ 300,566,148</u>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure - major/county/ local roads	\$ 42,225,237	\$ 5,072,651	\$ -	\$ 47,297,888
Infrastructure - local donated roads	15,869,227	1,235,301	-	17,104,528
Infrastructure - sidewalks	19,469,109	1,243,033	-	20,712,142
Infrastructure - drains	-	18,539	-	18,539
Land improvements	4,206,456	264,560	52,902	4,418,114
Buildings and improvements	24,388,619	2,940,874	13,550	27,315,943
Miscellaneous equipment	2,657,168	205,260	90,716	2,771,712
Computer equipment	317,020	82,953	25,056	374,917
Office furniture	904,445	141,291	135,819	909,917
Office equipment	135,697	23,474	-	159,171
Computer software	19,516	30,130	-	49,646
Vehicles	11,317,739	1,285,855	627,569	11,976,025
Library books/ Audio Visual	<u>4,438,986</u>	<u>528,149</u>	<u>326,668</u>	<u>4,640,467</u>
Total accumulated depreciation	<u>\$ 125,949,219</u>	<u>\$ 13,072,070</u>	<u>\$ 1,272,280</u>	<u>\$ 137,749,009</u>
Total capital assets, being depreciated, net	<u>\$ 165,076,903</u>	<u>\$ (2,221,441)</u>	<u>\$ 38,323</u>	<u>\$ 162,817,139</u>
Total Governmental Activities Capital Assets, net	<u>\$ 192,978,616</u>	<u>\$ 3,546,195</u>	<u>\$ 101,520</u>	<u>\$ 196,423,291</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 5- Capital Assets - Continued

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 6,738,504	\$ -	\$ -	\$ 6,738,504
Construction-in-progress	<u>18,280,184</u>	<u>3,389,558</u>	<u>16,948,155</u>	<u>4,721,587</u>
Total capital assets, not being depreciated	\$ 25,018,688	\$ 3,389,558	\$ 16,948,155	\$ 11,460,091
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	\$ 120,148,915	\$ 17,617,038	\$ -	\$ 137,765,953
Service connections	750,121	-	-	750,121
Land improvements	6,368,892	1,957,500	-	8,326,392
Buildings and improvements	7,172,107	-	-	7,172,107
Miscellaneous equipment	2,205,097	91,674	-	2,296,771
Motor vehicles	417,414	-	-	417,414
Furniture, fixtures and other	<u>261,330</u>	<u>-</u>	<u>-</u>	<u>261,330</u>
Total capital assets, being depreciated	\$ 137,323,876	\$ 19,666,212	\$ -	\$ 156,990,088
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	\$ 45,784,999	\$ 2,432,338	\$ -	\$ 48,217,337
Service connections	750,121	-	-	750,121
Land improvements	702,186	215,370	-	917,556
Buildings and improvements	2,301,610	255,511	-	2,557,121
Miscellaneous equipment	1,294,009	193,440	-	1,487,449
Motor vehicles	164,512	52,294	-	216,806
Furniture, fixtures and other	<u>255,178</u>	<u>2,886</u>	<u>-</u>	<u>258,064</u>
Total accumulated depreciation	\$ 51,252,615	\$ 3,151,839	\$ -	\$ 54,404,454
Total capital assets, being depreciated, net	\$ 86,071,261	\$ 16,514,373	\$ -	\$ 102,585,634
Total Business-Type Activities Assets, net	<u>\$ 111,089,949</u>	<u>\$ 19,903,931</u>	<u>\$ 16,948,155</u>	<u>\$ 114,045,725</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 5 - Capital Assets - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 3,077,613
Public safety	401,271
Public works	8,676,185
Community and economic development	42,898
Recreation and culture	<u>874,103</u>
Total depreciation expense - Governmental Activities	<u>\$ 13,072,070</u>
Business-Type Activities:	
Water	\$ 1,513,230
Sewer	983,378
Aquatic Center	158,356
Sylvan Glen Golf Course	171,165
Sanctuary Lake Golf Course	<u>325,710</u>
Total depreciation expense - Business-Type Activities	<u>\$ 3,151,839</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 6 - Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2005:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,523,278	\$ 2,337
Special Revenue Funds		
Community Development Block Grant Fund	-	50,082
Budget Stabilization Fund	-	27,622
Debt Service Funds		
Downtown Development Authority Debt Service Fund	-	1,932,208
Capital Projects Fund	2,337	251,093
Enterprise Funds		
Aquatic Center Fund	-	262,273
Sanctuary Lake Golf Course Fund	-	701,305
Sylvan Glen Golf Course Fund	<u>701,305</u>	<u>-</u>
	<u>\$ 3,226,920</u>	<u>\$ 3,226,920</u>

Interfund balances represent routine and temporary cash flow assistance from mainly the General Fund until amounts are transferred from Fund Investment Accounts.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 6 - Interfund Receivables, Payables and Transfers - Continued

Interfund transfers reported in the fund statements are as follows as of June 30, 2005:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 3,900,735
	DDA Debt Service Fund	2,990,385
	Nonmajor Governmental Funds	3,230,837
	Capital Projects Fund	<u>1,750,000</u>
		11,871,957
Capital Projects Fund	General Fund	2,768,000
	Nonmajor Governmental Funds	332,000
	Capital Projects Fund	<u>727,234</u>
		3,827,234
Sewer Fund	General Fund	<u>830,140</u>
Total		<u>\$ 16,529,331</u>

### Nonmajor Governmental Funds

Major Streets Fund transfer to General Fund for routine road maintenance in the amount of \$1,800,000. Major Streets Fund transfer to Capital Projects Fund of \$1,750,000 representing funding of road improvements. Local Streets Fund transfer to General Fund for routine road maintenance in the amount of \$1,680,580. Downtown Development Authority transfer to DDA Debt Service Fund for principle and interest payments on outstanding debt. General Debt Service Fund transfer to Proposal A, B and C Debt Service Funds in the amount of \$2,790,926 for principle and interest payments on outstanding debt.

### Capital Projects Fund

Transfer to General Fund for partial repayment of previous transfers. Transfer to Nonmajor Governmental Fund (Budget Stabilization Fund) in the amount of \$332,000.

### Sewer Fund

Transfer to General Fund for storm sewer operating expenditures.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 7 - Operating Leases

The City leases copy machines and telephones which are being treated as operating leases. The leases have various terms of three to four years and the future minimum lease payments remaining on these leases are as follows:

#### Year Ending June 30<sup>th</sup>:

2006	\$	49,620
2007		42,217
2008		37,245

Lease costs for the year ended June 30, 2005, are \$50,507.

### Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2005:

	<u>Serviced by Governmental Fund Types</u>				<u>Serviced by Proprietary Fund Types</u>		<u>Total Long-Term Debt</u>
	<u>Special Assess-ment</u>	<u>Storm - Drains and Other</u>	<u>Downtown Development Authority</u>		<u>Enterprise</u>	<u>Internal Service</u>	
			<u>Streets Bonds</u>	<u>Construction</u>			
Long-term debt payable at July 1, 2004	\$ 125,000	\$ 40,610,956	\$ 1,875,000	\$ 34,370,000	\$ 12,000,000	\$ 5,558,018	\$ 94,538,974
Addition of new debt	-	-	-	-	-	3,571,298	3,571,298
Long-term debt retired	<u>(25,000)</u>	<u>(1,474,915)</u>	<u>(150,000)</u>	<u>(1,505,000)</u>	<u>-</u>	<u>(3,852,912)</u>	<u>(7,007,827)</u>
Total long-term debt payable at June 30, 2005	<u>\$ 100,000</u>	<u>\$ 39,136,041</u>	<u>\$ 1,725,000</u>	<u>\$ 32,865,000</u>	<u>\$ 12,000,000</u>	<u>\$ 5,276,404</u>	<u>\$ 91,102,445</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Street, Roads and Streetscape Improvement General Obligation Bonds dated 8/1/00; original issuance amount \$4,150,000; bearing interest at 4.75% to 6.0%; principal due in annual installments of \$50,000 to \$400,000 through October 1, 2020	\$ 3,950,000	\$ (100,000)	\$ 3,850,000	\$ 100,000
Street, Roads and Streetscape Improvement General Obligation Bonds dated 11/1/01; original issuance amount \$6,850,000; bearing interest at 3.25% to 4.70%; principal due in annual installments of \$150,000 to \$600,000 through October 1, 2020	6,525,000	(200,000)	6,325,000	225,000
Public Safety Facilities and City Hall General Obligation Bonds dated 8/1/00; original issuance amount \$2,330,000; bearing interest at 4.625% to 4.75%; principal due in annual installments of \$80,000 to \$500,000 through October 1, 2010	2,050,000	(150,000)	1,900,000	150,000
Public Safety Facilities and City Hall General Obligation Bonds dated 11/1/01; original issuance amount \$1,170,000; bearing interest at 3.75% to 4.75%; principal due in annual installments of \$15,000 to \$110,000 through October 1, 2020	1,135,000	(25,000)	1,110,000	25,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Community Center and Recreational Facilities General Obligation Bonds dated 11/1/01; original issuance amount \$9,470,000; bearing interest at 3.00% to 4.625%; principal due in annual installments of \$200,000 to \$700,000 through October 1, 2020	\$ 9,020,000	\$ (300,000)	\$ 8,720,000	\$ 350,000
North Arm Relief Drain Revenue Bonds dated 1998; original issuance amount \$926,972; bearing interest at 2.25%; principal due in annual installments of \$38,408 to \$54,933 through October 1, 2020	803,063	(39,077)	763,986	40,078
George W. Kuhn Drain District Drain Bonds, Series 2001C dated 10/1/01; original issuance amount \$2,102,682; bearing interest at 2.50%; principal due in annual installments of \$82,368 to \$131,609 through April 1, 2024	2,102,682	(82,368)	2,020,314	84,414
Michigan Transportation Fund Bonds serviced by the Downtown Development Authority Fund, dated 2/1/2000; original issuance amount \$5,600,000; bearing interest at 4.75% to 5.45%; principal due in annual installments of \$125,000 to \$1,300,000 through May 1, 2013	1,875,000	(150,000)	1,725,000	175,000
Downtown Development Authority Development Bonds, dated 7/19/01; original issuance amount \$14,255,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$545,000 to \$1,165,000 through November 1, 2018	12,540,000	(590,000)	11,950,000	615,000



# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Public Safety Facilities and City Hall General Obligation Bonds, dated 2/1/03; original issuance amount \$14,500,000; bearing interest at 2.50% to 4.50%; principal due in annual installments of \$500,000 to \$1,100,000 through April 1, 2020	\$ 14,000,000	\$ (500,000)	\$ 13,500,000	\$ 500,000
2002 Downtown Development Authority Community Center Facilities Bonds serviced by the Downtown Development Authority Fund, dated 9/1/02; original issuance amount \$9,700,000; bearing interest at 2.05% to 5.00%; principal due in annual installments of \$400,000 to \$850,000 through May 1, 2018	9,300,000	(425,000)	8,875,000	425,000
2003 Downtown Development Authority Community Center Facilities Junior Lien Bonds serviced by the Downtown Development Authority Fund, dated 6/1/03; original issuance amount \$4,025,000; bearing interest at 2.50% to 4.25%; principal due in annual installments of \$75,000 to \$500,000 through November 1, 2018	4,025,000	(75,000)	3,950,000	100,000
Downtown Development Authority Refunding Bonds, dated 7/19/01; original issuance amount \$9,745,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$380,000 to \$800,000 through November 1, 2018	8,505,000	(415,000)	8,090,000	430,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
1986 Special Assessment Bonds, date of issue 8/1/86; original issuance amount \$930,000; bearing interest at 6.75% to 6.85%; principal due in annual installments of \$25,000 to \$50,000 through August 1, 2006	\$ 125,000	\$ (25,000)	\$ 100,000	\$ 50,000
George W. Kuhn Drain District Drain Bonds, Series 2000A dated 10/1/00; original issuance amount \$457,372; bearing interest at 2.50%; principal due in annual installments of \$17,906 to \$28,650 through April 1, 2022	421,176	(18,801)	402,375	19,313
George W. Kuhn Drain District Drain Bonds, Series 2000B dated 10/1/00; original issuance amount \$168,061; bearing interest at 4.75% to 5.375%; principal due in annual installments of \$5,116 to \$12,658 through April 1, 2022	157,829	(5,756)	152,073	5,756
George W. Kuhn Drain District Drain Bonds, Series 2001E dated 1/1/02; original issuance amount \$252,476; bearing interest at 4.00% to 5.25%; principal due in annual installments of \$8,953 to \$18,415 through April 1, 2024	<u>252,476</u>	<u>(8,953)</u>	<u>243,523</u>	<u>8,953</u>
Total Long-Term Debt	<u>\$ 76,787,226</u>	<u>\$ (3,109,955)</u>	<u>\$ 73,677,271</u>	<u>\$ 3,303,514</u>
Other Long-Term Obligations				
Compensated Absences	5,558,018	3,571,298 <u>(3,852,912)</u>	5,276,404	3,027,996
Incurred but not reported insurance claims	<u>193,730</u>	<u>(44,960)</u>	<u>148,770</u>	<u>-</u>
Total Governmental Activities	\$ 82,538,974	\$ (3,436,529)	\$ 79,102,445	\$ 6,328,510

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 8 - Long-Term Debt - Continued

#### Business-Type Activities

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Municipal Building Authority Golf Course Bonds serviced by the Golf Course Fund, dated 7/1/02; original issuance amount \$12,000,000; bearing interest at 3.25% to 5.00%; principal due in annual installments of \$200,000 to \$900,000 through December 1, 2027	\$ 12,000,000	\$ -	\$ 12,000,000	\$ 200,000
Total Business-Type Activities	\$ 12,000,000	\$ -	\$ 12,000,000	\$ 200,000
Total	\$ 94,538,974	\$ (3,436,529)	\$ 91,102,445	\$ 6,528,510

#### Component Unit

Note payable to developer, payments based on Brownfield tax increment revenues plus interest at 6%	\$ 1,185,358	\$ (483,654)	\$ 701,704	\$ 701,704
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# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 8 - Long-Term Debt - Continued

It is the intent of the City that all payments relating to these obligations will be made from revenues generated from operations of the respective funds. The City has pledged its full faith and credit for the debt if revenues are insufficient to meet the obligations, of all general obligation bonds.

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2005, exclusive of earned but unpaid sick pay and insurance claims are as follows:

Year Ending June 30,	Government Activities				Business Type Activities			
	General Obligation Debt	Special	Downtown	Street	Amount of	Proprietary	Amount of	Total
	<u>Serviced by</u> Governmental Fund Types	Assessment Bonds	Development Authority		Annual Interest	Fund Types	Annual Interest	
2006	\$ 1,508,514	\$ 50,000	\$ 1,570,000	\$ 175,000	\$ 3,113,689	\$ 200,000	\$ 554,520	\$ 7,171,723
2007	1,687,714	50,000	1,650,000	175,000	2,948,287	200,000	547,870	7,258,871
2008	1,781,913	-	1,725,000	175,000	2,821,907	300,000	539,032	7,342,852
2009	1,971,241	-	1,850,000	175,000	2,686,442	300,000	527,895	7,510,578
2010	2,050,695	-	1,975,000	175,000	2,555,386	300,000	516,195	7,572,276
2011	2,260,279	-	2,065,000	175,000	2,343,957	400,000	501,945	7,746,181
2012	2,319,863	-	2,215,000	200,000	2,155,466	400,000	485,446	7,775,775
2013	2,430,085	-	2,365,000	225,000	1,952,920	400,000	468,597	7,841,602
2014	2,494,924	-	2,490,000	250,000	1,728,381	400,000	451,247	7,814,552
2015	2,624,969	-	2,650,000	-	1,486,506	450,000	431,248	7,642,723
2016	2,740,242	-	2,815,000	-	1,241,630	500,000	408,998	7,705,870
2017	2,801,182	-	3,005,000	-	984,530	500,000	386,748	7,677,460
2018	2,741,789	-	3,175,000	-	718,684	500,000	364,248	7,499,721
2019	2,947,217	-	3,315,000	-	439,491	600,000	339,123	7,640,831
2020	3,003,413	-	-	-	227,716	600,000	310,999	4,142,128
2021	3,143,099	-	-	-	88,336	600,000	282,124	4,113,559
2022	183,789	-	-	-	13,830	600,000	252,500	1,050,119
2023	146,318	-	-	-	8,407	700,000	220,000	1,074,725
2024	150,025	-	-	-	4,256	700,000	185,000	1,039,281
2025	-	-	-	-	-	800,000	147,500	947,500
2026	-	-	-	-	-	800,000	107,500	907,500
2027	-	-	-	-	-	850,000	66,250	916,250
2028	-	-	-	-	-	900,000	22,500	922,500
<b>Total</b>	<b>\$ 38,987,271</b>	<b>\$ 100,000</b>	<b>\$ 32,865,000</b>	<b>\$ 1,725,000</b>	<b>\$ 27,519,821</b>	<b>\$ 12,000,000</b>	<b>\$ 8,117,485</b>	<b>\$ 121,314,577</b>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 8 - Long-Term Debt - Continued**

#### **Special Assessment Bonds**

In the event that special assessment collections are insufficient to meet debt service costs of such issues, the City has pledged its full faith and credit as additional security for payment of related principal and interest.

### **Note 9 - Net Assets/Fund Balance Reserves and Designations**

Fund balance has been reserved and designated as follows:

#### **Reserve for Inventory and Prepaid Items**

The General Fund has reserved fund balance for inventory and prepaid items in the amount of \$708,988 representing the portion of the fund balance that is not available for other future expenditures.

#### **Reserve for Debt Service**

The fund balance of \$4,734,163 in the City's General Debt Service Fund and \$1,466,256 in the DDA Debt Service Fund and are considered reserved for debt service in accordance with City accounting policy.

#### **Reserve for Encumbrances**

The City has recorded a reserve for encumbrances of \$836,374 in the Capital Projects Fund. These reserves represent outstanding purchase commitments at June 30, 2005.

#### **Reserve For Project Commitments**

Related amounts have been reserved as a result of contractual commitments, or due to the limited purpose for which a fund has been established, as follows:

Capital Projects Fund	
Project Commitments	\$ 4,181,897

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 9 - Net Assets/Fund Balance Reserves and Designations - Continued

#### Restricted for Pension Benefits

The related amount restricted in the Fiduciary Fund reserve is largely comprised of equity recorded in the Pension Trust Fund. In addition, equity is set aside to pay for sick pay and vacation pay in the Internal Service Funds.

#### Net Assets/Fund Balance

Net assets have been restricted for (a) debt service, based upon bond indenture agreements and the City's understanding that bond proceeds generated by these Funds are only to be spent on specified construction or the retirement of related debt, (b) replacements and extensions based upon bond indenture agreements or the limited purpose for which a fund was established, (c) employee fringe benefits based upon the limited purpose for which funds have been established, and (d) outstanding purchase order for motor equipment and supplies.

#### Unreserved Fund Balance

The following is a summary of the unreserved fund balances of the Governmental Funds with management's designations:

	<u>Funds</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Permanent</u>
Designated For:				
Improvements and maintenance	\$ 5,619,828	\$ -	\$ -	\$ 161,558
Insurance claims	2,236,185	-	-	-
Snow and ice control	-	-	700,000	-
Subsequent years budgets	1,305,560	10,455,830	533,620	-
Tax appeals	<u>900,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Total designated	<u>\$ 10,061,573</u>	<u>\$ 10,455,830</u>	<u>\$ 1,733,620</u>	<u>\$ 161,558</u>
Undesignated	<u>\$ 13,036,631</u>	<u>\$ 16,106,688</u>	<u>\$ 10,554,560</u>	<u>\$ -</u>
Total unreserved fund balance	<u>\$ 23,098,204</u>	<u>\$ 26,559,518</u>	<u>\$ 12,288,180</u>	<u>\$ 161,558</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 10 - Risk Management**

The City has entered into a Public Entity Risk Pool with other Michigan units of government as an individual member for its general liability, property damage insurance including auto and public officials liability and contractors equipment. The City's maximum deductible for property coverage is \$11,000 per occurrence. The liability maximum self-insured retention is \$500,000 per occurrence with an aggregate stop loss of \$1,000,000 per policy year for both property and liability.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss that can be reasonably estimated.

No settlements have exceeded insurance coverage during the last three years. The City has made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2005.

The City has also entered into a public entity risk pool with other Michigan units of government for its workers compensation insurance.

# **CITY OF TROY, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Note 11 - Litigation and Contingent Liabilities**

#### **Litigation**

The City is a defendant to various claims, legal actions and complaints arising in the ordinary course of business. The City of Troy denies the allegations and plans a vigorous defense. In the opinion of legal council, all such matters as indicated above are adequately covered by insurance, or if not so covered, are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City.

#### **Condemnations**

The City of Troy has exercised its condemnation rights under Michigan law and has awarded the affected property owners a monetary settlement for their property. Certain of these property owners have contested the settlement amount and have subsequently filed suit. The amount of final settlements cannot be determined and has not been recorded in the financial statements.

#### **Tax Appeals to the Michigan Tax Tribunal**

The City has several outstanding property tax assessment appeals totaling approximately \$32,553,799 (taxable values) to the Michigan Tax Tribunal. If the City is not successful with a portion of these appeals, the City of Troy's share of the tax to be refunded would be the levied rate (approximately \$10 per thousand of assessed value) plus interest. The amount of refund (if any) cannot be determined as of June 30, 2005.



# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 12 - Property Taxes**

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1<sup>st</sup> on the taxable valuation of the property located within its boundaries as of the preceding December 31<sup>st</sup>. Taxable value is determined by the prior years taxable value plus 5% or the Consumer Price Index which ever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2004-2005 levy was \$5,094,758,223. The City's operating tax rate was 6.25 mills for the same year with additional millages of .50, 1.87 and .83 levied to fund various types of debt service costs, capital outlay expenditures and refuse removal and disposal, respectively.

In addition to collecting their own taxes, the City also acts as collection agent for all overlapping governments and school districts within its boundaries, which includes seven school districts, two intermediate school districts, a community college, and Oakland County.

City taxes are received in one installment, collectible from July 1<sup>st</sup> to August 31<sup>st</sup>. Any real property taxes not paid by March 1<sup>st</sup>, following the due date, are reimbursed by the County. The County Treasurer takes over collection responsibility at that date, as well as delinquent personal property taxes.

The City is occasionally ordered by the Michigan Tax Tribunal to refund taxes already collected and recorded into revenue. It is, therefore, the City's policy to compensate for doubtful accounts, as well as refunds of taxes already collected through use of an allowance for doubtful taxes receivable and as a reserve of the general fund balance.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Note 13 - Retirement System and Plan

#### Employee Retirement System

The City of Troy, Michigan, under the authorization of the City ordinance, maintains an employee retirement system covering all full-time employees. The single-employer plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. Normal retirement age is 65 with provisions for early and late retirement. Participants under such plan are required to contribute a fixed percentage of their total compensation, with the City's contribution being an amount sufficient to cover current service costs and prior service costs which are being funded and charged to operations over ten years for pension benefits and fifteen years for healthcare benefits. The percent of wages required to be contributed by all employees participating in the primary plan was 1.0 to 4.0 percent as of June 30, 2005. The City's total payroll for the year ended June 30, 2005, was \$34,658,846. Included in this total was \$12,835,502 and \$17,953,780 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. \$3,869,564 represents payroll which was not covered by the retirement system or the defined contribution plan. The plan is closed to new participants. Current membership in the system is as follows:

<u>Group</u>	<u>December 31, 2004</u>
Retirees and beneficiaries currently receiving benefits	196
Vested terminated employees	16
Active employees:	
Fully vested	133
Nonvested	53

The employee retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2005 were determined using an individual entry-age actuarial funding method. Unfunded actuarial liabilities were amortized as a level percent of payroll on an open basis over a period of ten years for pensions and fifteen years for post-retirement healthcare.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### **Note 13 - Retirement System and Plan - Continued**

#### **Employee Retirement System - Continued**

For the year ended June 30, 2005, contributions totaling \$2,036,326 (\$1,715,917 employer and \$320,409 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 13.4 percent and 2.5 percent, respectively, of covered payroll.

Significant actuarial assumptions used include (a) a 6.5 percent investment rate of return, (b) projected salary increases of 4 percent per year compounded annually, attributable to inflation, additional projected salary increases ranging from .2 to 4 percent per year, depending on age, attributable to seniority/merit and the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five year period.

The City provides certain healthcare benefits for retired employees in accordance with the bargaining groups agreements and other requirements. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The City's contribution for healthcare benefits is accounted for within the retirement system. The employers contribution of \$1,598,707 was attributable to healthcare benefits. This contribution represented 5.2 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for 194 retirees totaled \$1,305,370.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Note 13 - Retirement System and Plan - Continued

#### Incentive Plan for Volunteer Firefighters

The City of Troy has a noncontributory discretionary incentive plan established by resolution of the City Council covering its volunteer firefighters. The single-employer plan benefits are determined based on annual contribution amounts for each year of incentive service. The normal cost and amortization payment for the year ended June 30, 2005 was determined using an individual entry age funding method. At December 31, 2004, the benefit payment amount was \$518 per year for incentive service. Participants are eligible for payments at age 55 with ten or more years of volunteer service, age 50 with 25 years of service or 30 years of incentive service regardless of age. The City's contribution to the plan for the year ended June 30, 2005, was \$795,904. The volunteer firefighters are not paid any remuneration for their service. Unfunded actuarial liabilities were amortized as a level dollar amount on a closed basis. The amortization period is 25 years.

<u>Group</u>	<u>December 31, 2004</u>
Retirees and beneficiaries currently receiving benefits	64
Vested terminated employees	26
Active employees:	
Fully vested	88
Nonvested	75

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Note 13 - Retirement System and Plan - Continued

#### Incentive Plan for Volunteer Firefighters - Continued

Significant actuarial assumptions used include a 6.5 percent investment rate of return. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four year period.

See the required supplementary information section of the financial statements for the summaries of Schedule of Funding Progress and Schedule of Employer Contributions.

#### Three-Year Trend Information Employee Retirement System (\$ Amounts in Thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	2001	\$ 1,605	100.0%	None
2004	2002	1,482	100.0	None
2005	2003	1,716	100.0	None

#### Three-Year Trend Information Incentive Plan for Volunteer Firefighters (\$ Amounts in Thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	2001	\$ 513	100.0%	None
2004	2002	623	100.0	None
2005	2003	796	100.0	None

The plans do not issue a separate financial report.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Note 14 - Defined Contribution Plan**

The City maintains a defined contribution plan (DCP) administered by the International City Manager's Association Retirement Corporation (ICMARC), which qualifies under the Internal Revenue Code Section 401(a). Classified, Exempt and Fire Staff Officers in the City's Employees Retirement System were given the option to transfer to the DCP by December 31, 1997. Employees who elected to transfer to the DCP had their individually actuarially determined earned retirement benefits in the Employees Retirement System determined as of the date of election to transfer to the DCP. In 1998, the City afforded the option to AFSCME members of the Employees Retirement System to elect a transfer to the DCP, of which 41 employees elected such transfer. In 1999, the City afforded the option to MAP members of the Employees Retirement System to elect a transfer to the DCP, of which 29 employees elected such transfer. In 2000, the City afforded the option to TCOA members of the Employees Retirement System to elect a transfer to the DCP, of which 20 employees elected such transfer. In 2002, the City afforded the option to TPOA members of the Employees Retirement System to elect a transfer to the TCP of which 19 employees elected such transfer. The DCP is also in effect for all new full-time employees. Total membership in the DCP as of June 30, 2005 was 310.

The DCP maintains a schedule of vesting as follows: participants who transferred from the Employees Retirement System are fully vested. For new hires the following schedule applies: 50% vested after 3 years, 75% vested after 4 years and 100% vested after 5 years. Employees contribute 3 to 5 percent of their salary, while the employer contributes 10 to 13 percent. All employees are able to contribute up to 10 percent of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

The DCP was established by City Council resolution and any amendments to the plan would require City Council approval.

The City's payroll for employees covered by the DCP for the year ended June 30, 2005, was \$17,953,780, and the City's total payroll was \$34,658,846. The required contributions, which matched those actually made, were \$770,679 by employees and \$2,098,304 by the City, representing 4.3 percent and 11.7 percent of covered payroll, respectively.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 15 - Restatement of Fund Balance/Net Assets

#### Fund financial statements:

##### General Fund

June 30, 2004 ending fund balance as originally stated	\$ 20,452,755
Add: adjustment to recognize change in accounting principal for state recording shared revenues	<u>1,242,998</u>
June 30, 2005 beginning fund balance as restated	<u><u>21,695,753</u></u>

##### Sanctuary Lake golf course

June 30, 2004 ending net assets as originally stated	34,193
Less: adjustment for accrued interest on long-term debt	<u>(45,844)</u>
June 30, 2005 beginning net assets (deficit) as restated	<u><u>\$ (11,651)</u></u>

#### Government wide financial statements:

##### Governmental activities

June 30, 2004 ending net assets as originally stated	\$ 199,276,539
Add: adjustment to recognize change in accounting principal for recording state shared revenues	1,242,998
Add: adjustment to recognize increase in capital assets from drain projects	3,907,563
Add: adjustment to recognize reduction in long-term debt related to drain projects	81,089
Deduct: adjustment to recognize incurred but unreported claim liabilities	(193,720)
Deduct: adjustment to recognize accrued interest on long-term debt	<u>(669,627)</u>
June 30, 2004 ending net assets as restated	<u><u>\$ 203,644,842</u></u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 15 – Restatement of Fund Balance/Net Assets - Continued

Business-type activities	
June 30, 2004 ending net assets as originally stated	\$ 141,343,547
Deduct: adjustment to recognize accrued interest on long-term debt	<u>(45,841)</u>
June 30, 2004 ending net assets as restated	<u>\$ 141,297,706</u>
Component unit	
June 30, 2004 ending net assets as originally stated	\$ (1,180,834)
Deduct: adjustment to recognize accrued interest on long-term debt	<u>(99,170)</u>
June 30, 2004 ending net assets (deficit) as restated	<u>\$ (1,280,004)</u>

### Note 16 – Deficit Net Assets

The Sanctuary Lake Golf Course Fund and the Brownfield Redevelopment Authority (Component Unit) have deficit net assets at June 30, 2005.

The Sanctuary Lake Golf Course completed its first year of operations with operating revenues of \$962,132 and operating expenses of \$1,239,397 plus the addition of interest expense on outstanding debt of \$511,033 resulting in a negative charge in net assets of \$787,998. Several reasons are attributable for the deficit:

- New Course
- Lengthened Tee Times
- Grill Operation partially opened

With the addition of league play, outings and shortened tee time intervals we hope to reduce and even eliminate the deficit.

The Brownfield Redevelopment Authority (Component Unit) reflected a deficit net asset of \$681,449. This deficit will be eliminated in 2006 with the collection of taxes and final repayment to the developer of the project.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**EMPLOYEE RETIREMENT SYSTEM AND INCENTIVE PLAN**

# CITY OF TROY, MICHIGAN

## EMPLOYEE RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (\$ amounts in thousands)

### PENSION ONLY

Actuarial Valuation Date December 31,	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
1999	\$ 118,595	\$ 94,661	\$ (23,934)	125.3%	\$ 15,057	(114.8)%
2000	123,956	99,740	(24,216)	124.3	15,441	(156.8)
2001	123,699	97,140	(26,529)	127.3	14,566	(182.1)
2002	117,372	95,527	(21,845)	122.9	13,553	(161.2)
2003	126,738	103,558	(23,180)	122.4	13,053	(177.6)
2004	126,802	109,364	(17,438)	115.9	12,572	(138.7)

### HEALTH ONLY

1999	\$ 18,462	\$ 18,692	\$ 230	98.8%	\$ 22,941	1.0%
2000	18,446	21,794	3,348	84.6	23,924	14.0
2001	23,645	27,804	4,159	85.0	26,847	15.5
2002	31,003	31,263	260	99.2	28,480	.9
2003	32,815	37,000	4,186	88.7	31,790	13.2
2004	36,484	40,419	3,935	90.3	30,046	13.1

Analysis of the dollar amounts of actuarial value of assets or actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

## CITY OF TROY, MICHIGAN

### EMPLOYEE RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ amounts in thousands)

<b>Fiscal Year Ended June 30,</b>	<b>Actuarial Valuation Date December 31,</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2000	1998	\$ 1,087	100.0%
2001	1999	1,174	100.0
2002	2000	1,461	100.0
2003	2001	1,605	100.0
2004	2002	1,482	100.0
2005	2003	1,716	100.0

# CITY OF TROY, MICHIGAN

## INCENTIVE PLAN FOR VOLUNTEER FIREFIGHTERS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (\$ amounts in thousands)

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (b) - (a)</b>	<b>Funded Ratio (a)/(b)</b>
2000*&	\$ 5,137	\$ 7,397	\$ 2,260	69.4%
2001*&	5,107	8,160	3,051	62.6
2002*&	5,720	9,598	3,878	59.6
2003*&	6,084	11,787	5,703	51.6
2004*	6,261	11,936	5,675	52.5

\* After changes in benefit provisions.

& After changes in actuarial assumptions.

## CITY OF TROY, MICHIGAN

### INCENTIVE PLAN FOR VOLUNTEER FIREFIGHTERS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ amounts in thousands)

<b>Fiscal Year Ended June 30,</b>	<b>Actuarial Valuation Date December 31,</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2000	1998	\$ 330	100.0%
2001	1999	360	100.0
2002	2000	413	100.0
2003	2001	513	100.0
2004	2002	623	100.0
2005	2003	796	100.0

**COMBINING  
AND  
INDIVIDUAL FUND STATEMENTS  
AND  
SCHEDULES**

## **GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE AND PERMANENT FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

#### **Major Streets Fund**

This fund has been established to account for the state gas and weight taxes to be used for repairs, maintenance and construction of all streets classified as “major” within the City.

#### **Local Streets Fund**

This fund has been established to account for the state gas and weight taxes to be used for repairs, maintenance and construction of all streets classified as “local” within the City.

#### **Refuse Fund**

This fund has been established to account for property tax revenues restricted for rubbish and garbage collection and service charges for recycling.

#### **Community Development Block Grant**

This fund accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements.

#### **Budget Stabilization Fund**

This fund has been created for the following purposes: a) to cover a General Fund deficit; b) to prevent a reduction in the level of public services; and c) to cover expenses arising because of a natural disaster.

#### **Downtown Development Authority Fund**

This fund represents an authority established for the purpose of providing for the construction and financing of necessary improvements to prevent further deterioration of the development area while preserving and promoting economic growth for the benefit of all taxing units within and benefited by the development area.

#### **Local Development Financing Authority**

This fund was established to encourage local development in order to prevent conditions of unemployment and to promote economic growth.

## **GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE AND PERMANENT FUNDS**

#### **Permanent Fund**

This Cemetery Perpetual Care Fund was established to invest the proceeds from the sale of burial plots and utilize their investment income in the operations of the City owned cemeteries.

Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for the payment.

#### **General Debt Service Fund**

This fund was created to account for bonded indebtedness on storm drains and voted general obligation bonds.

#### **Proposal A Debt Service Fund**

This fund was created to account for a voter approved bond issue in the amount of \$11,000,000 for various road improvements.

#### **Proposal B Debt Service Fund**

This fund was created to account for a voter approved bond issue in the amount of \$18,000,000 for various public safety and city hall facilities.

#### **Proposal C Debt Service Fund**

This fund was created to account for a voter approved bond issue in the amount of \$18,000,000 for the renovation and construction of a community center and park land acquisition.



**City of Troy, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2005**

	Special Revenue			
	Major Streets	Local Streets	Refuse	Community Development Block Grant
<b>Assets</b>				
Cash and cash equivalents	\$ 838,225	\$ 704,724	\$ 476,060	\$ -
Investments	783,873	659,029	445,191	-
Receivables:				
Taxes receivable	-	-	-	-
Special assessments	-	-	-	-
Interest receivable	4,214	3,543	2,393	-
Due from other governments	589,967	234,385	-	50,082
Total assets	<u>\$ 2,216,279</u>	<u>\$ 1,601,681</u>	<u>\$ 923,644</u>	<u>\$ 50,082</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ 50,082
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,082</u>
<b>Fund balance:</b>				
Reserved				
Debt service	-	-	-	-
Unreserved	2,216,279	1,601,681	923,644	-
Total fund balances	<u>2,216,279</u>	<u>1,601,681</u>	<u>923,644</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,216,279</u>	<u>\$ 1,601,681</u>	<u>\$ 923,644</u>	<u>\$ 50,082</u>

<b>Special Revenue</b>				<b>Permanent Fund</b>
<b>Budget Stabilization</b>	<b>Downtown Development Authority</b>	<b>Local Development Financing Authority</b>	<b>Total Special Revenue</b>	<b>Cemetery Perpetual Care</b>
\$ -	\$ 3,366,886	\$ 7,315	\$ 5,393,210	\$ 83,269
1,025,190	3,148,571	6,841	6,068,695	77,870
-	526,306	-	526,306	-
-	-	-	-	-
2,432	16,926	37	29,545	419
-	-	-	874,434	-
<u>\$ 1,027,622</u>	<u>\$ 7,058,689</u>	<u>\$ 14,193</u>	<u>\$ 12,892,190</u>	<u>\$ 161,558</u>
\$ 27,622	\$ -	\$ -	\$ 77,704	\$ -
-	526,306	-	526,306	-
<u>27,622</u>	<u>526,306</u>	<u>-</u>	<u>604,010</u>	<u>-</u>
-	-	-	-	-
<u>1,000,000</u>	<u>6,532,383</u>	<u>14,193</u>	<u>12,288,180</u>	<u>161,558</u>
<u>1,000,000</u>	<u>6,532,383</u>	<u>14,193</u>	<u>12,288,180</u>	<u>161,558</u>
<u>\$ 1,027,622</u>	<u>\$ 7,058,689</u>	<u>\$ 14,193</u>	<u>\$ 12,892,190</u>	<u>\$ 161,558</u>

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**City of Troy, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Concluded)**  
**June 30, 2005**

	<b>Debt Service</b>			
	<b>General Debt Service</b>	<b>Proposal A Debt Service</b>	<b>Proposal B Debt Service</b>	<b>Proposal C Debt Service</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,440,057	\$ -	\$ -	\$ -
Investments	2,281,839	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Special assessments	239,725	-	-	-
Interest receivable	12,267	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 4,973,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	239,725	-	-	-
Total liabilities	<u>239,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance:</b>				
Reserved				
Debt service	4,734,163	-	-	-
Unreserved	-	-	-	-
Total fund balances	<u>4,734,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 4,973,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Total Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 2,440,057	\$ 7,916,536
2,281,839	8,428,404
-	526,306
239,725	239,725
12,267	42,231
-	874,434
<u>\$4,973,888</u>	<u>\$ 18,027,636</u>
\$ -	\$ 77,704
239,725	766,031
<u>239,725</u>	<u>843,735</u>
4,734,163	4,734,163
-	12,449,738
<u>4,734,163</u>	<u>17,183,901</u>
<u>\$4,973,888</u>	<u>\$ 18,027,636</u>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2005**

	<b>Special Revenue</b>			
	<b>Major Streets</b>	<b>Local Streets</b>	<b>Refuse</b>	<b>Community Development Block Grant</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 4,010,718	\$ -
Federal grants and reimbursements	-	-	-	59,989
State grants and reimbursements	3,647,503	1,448,852	-	-
Charges for services	-	-	1,410	-
Investment earnings	50,840	34,701	74,280	-
Other	-	-	-	-
Total revenues	<u>3,698,343</u>	<u>1,483,553</u>	<u>4,086,408</u>	<u>59,989</u>
<b>Expenditures</b>				
Current:				
Sanitation	-	-	4,432,841	-
Community development	-	-	-	59,989
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,432,841</u>	<u>59,989</u>
Revenues over (under) expenditures	<u>3,698,343</u>	<u>1,483,553</u>	<u>(346,433)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	250,000	-	-
Transfers out	<u>(3,800,000)</u>	<u>(1,680,580)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,800,000)</u>	<u>(1,430,580)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(101,657)	52,973	(346,433)	-
Fund balances, beginning of year	<u>2,317,936</u>	<u>1,548,708</u>	<u>1,270,077</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 2,216,279</u></u>	<u><u>\$ 1,601,681</u></u>	<u><u>\$ 923,644</u></u>	<u><u>\$ -</u></u>

<b>Special Revenue</b>				<b>Permanent Fund</b>
<b>Budget Stabilization</b>	<b>Downtown Development Authority</b>	<b>Local Development Financing Authority</b>	<b>Total Special Revenue</b>	<b>Cemetery Perpetual Care</b>
\$ -	\$ 3,550,310	\$ 138,881	\$ 7,699,909	\$ -
-	-	-	59,989	-
-	-	-	5,096,355	-
-	-	-	1,410	1,780
21,180	174,295	928	356,224	4,006
-	-	-	-	-
21,180	3,724,605	139,809	13,213,887	5,786
-	-	-	4,432,841	-
-	288,986	125,616	474,591	-
-	-	-	-	-
-	-	-	-	-
-	288,986	125,616	4,907,432	-
21,180	3,435,619	14,193	8,306,455	5,786
332,000	-	-	582,000	-
(21,180)	(3,579,271)	-	(9,081,031)	-
310,820	(3,579,271)	-	(8,499,031)	-
332,000	(143,652)	14,193	(192,576)	5,786
668,000	6,676,035	-	12,480,756	155,772
\$ 1,000,000	\$ 6,532,383	\$ 14,193	\$ 12,288,180	\$ 161,558

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# City of Troy, Michigan

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds (Concluded) For the Year Ended June 30, 2005

	Debt Service			
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service
<b>Revenues</b>				
Property taxes	\$2,418,718	\$ -	\$ -	\$ -
Federal grants and reimbursements	-	-	-	-
State grants and reimbursements	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	157,622	-	-	-
Other	228,427	-	-	-
Total revenues	2,804,767	-	-	-
<b>Expenditures</b>				
Current:				
Sanitation	-	-	-	-
Community development	-	-	-	-
Debt service:				
Principal	150,000	300,000	675,000	300,000
Interest	140,408	476,219	662,483	377,224
Total expenditures	290,408	776,219	1,337,483	677,224
Revenues over (under) expenditures	2,514,359	(776,219)	(1,337,483)	(677,224)
<b>Other financing sources (uses)</b>				
Transfers in	189,911	776,219	1,337,483	677,224
Transfers out	(2,790,926)	-	-	-
Total other financing sources (uses)	(2,601,015)	776,219	1,337,483	677,224
Net change in fund balances	(86,656)	-	-	-
Fund balances, beginning of year	4,820,819	-	-	-
<b>Fund balances, end of year</b>	<u>\$4,734,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Total Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 2,418,718	\$ 10,118,627
-	59,989
-	5,096,355
-	3,190
157,622	517,852
228,427	228,427
<u>2,804,767</u>	<u>16,024,440</u>
-	4,432,841
-	474,591
1,425,000	1,425,000
<u>1,656,334</u>	<u>1,656,334</u>
<u>3,081,334</u>	<u>7,988,766</u>
<u>(276,567)</u>	<u>8,035,674</u>
2,980,837	3,562,837
<u>(2,790,926)</u>	<u>(11,871,957)</u>
<u>189,911</u>	<u>(8,309,120)</u>
(86,656)	(273,446)
<u>4,820,819</u>	<u>17,457,347</u>
<u>\$ 4,734,163</u>	<u>\$ 17,183,901</u>



**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Streets Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
State grants and reimbursements	\$ 3,500,000	\$ 3,500,000	\$ 3,647,503	\$ 147,503
Investment earnings	20,000	20,000	50,840	30,840
Total revenues	3,520,000	3,520,000	3,698,343	178,343
<b>Other financing sources (uses)</b>				
Transfers out	(3,800,000)	(3,800,000)	(3,800,000)	-
Net change in fund balances	(280,000)	(280,000)	(101,657)	178,343
Fund balance, beginning of year	2,317,936	2,317,936	2,317,936	-
<b>Fund balance, end of year</b>	<u>\$ 2,037,936</u>	<u>\$ 2,037,936</u>	<u>\$ 2,216,279</u>	<u>\$ 178,343</u>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Streets Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
State grants and reimbursements	\$ 1,400,000	\$ 1,400,000	\$ 1,448,852	\$ 48,852
Investment earnings	15,000	15,000	34,701	19,701
Total revenues	1,415,000	1,415,000	1,483,553	68,553
<b>Other financing sources (uses)</b>				
Transfers in	250,000	250,000	250,000	-
Transfers out	(1,680,580)	(1,680,580)	(1,680,580)	-
Total other financing sources and (uses)	(1,430,580)	(1,430,580)	(1,430,580)	-
Net change in fund balances	(15,580)	(15,580)	52,973	68,553
Fund balance, beginning of year	1,548,708	1,548,708	1,548,708	-
<b>Fund balance, end of year</b>	<b>\$ 1,533,128</b>	<b>\$ 1,533,128</b>	<b>\$ 1,601,681</b>	<b>\$ 68,553</b>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Refuse Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 3,967,000	\$3,967,000	\$ 4,010,718	\$ 43,718
Charges for services	1,000	1,000	1,410	410
Investment earnings	40,000	65,000	74,280	9,280
Total revenues	4,008,000	4,033,000	4,086,408	53,408
<b>Expenditures</b>				
Sanitation	4,459,180	4,484,180	4,432,841	51,339
Net change in fund balances	(451,180)	(451,180)	(346,433)	104,747
Fund balance, beginning of year	1,270,077	1,270,077	1,270,077	-
<b>Fund balance, end of year</b>	<b>\$ 818,897</b>	<b>\$ 818,897</b>	<b>\$ 923,644</b>	<b>\$ 104,747</b>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Community Development Block Grant**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Federal grants	\$ 199,250	\$ 199,250	\$ 59,989	\$ (139,261)
<b>Expenditures</b>				
Community development	199,250	199,250	59,989	139,261
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Budget Stabilization Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Investment earnings	\$ 7,000	\$ 40,000	\$ 21,180	\$ (18,820)
Total revenues	7,000	40,000	21,180	(18,820)
<b>Other financing sources (uses)</b>				
Transfers in	332,000	332,000	332,000	-
Transfers out	(7,000)	(40,000)	(21,180)	18,820
Total other financing sources and (uses)	325,000	292,000	310,820	18,820
Net change in fund balances	332,000	332,000	332,000	-
Fund balance, beginning of year	668,000	668,000	668,000	-
<b>Fund balance, end of year</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ -</b>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Downtown Development Authority**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$3,566,000	\$ 3,566,000	\$ 3,550,310	\$ (15,690)
Investment earnings	40,000	40,000	174,295	134,295
Total revenues	3,606,000	3,606,000	3,724,605	118,605
<b>Expenditures</b>				
Economic development	448,250	448,250	288,986	159,264
Revenues over (under) expenditures	3,157,750	3,157,750	3,435,619	277,869
<b>Other financing sources (uses)</b>				
Transfers out	(3,950,300)	(3,950,300)	(3,579,271)	371,029
Net change in fund balances	(792,550)	(792,550)	(143,652)	648,898
Fund balance, beginning of year	6,676,035	6,676,035	6,676,035	-
<b>Fund balance, end of year</b>	<b>\$5,883,485</b>	<b>\$ 5,883,485</b>	<b>\$6,532,383</b>	<b>\$ 648,898</b>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Development Financing Authority**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 143,610	\$ 143,610	\$ 138,881	\$ (4,729)
Investment earnings	1,500	1,500	928	(572)
Total revenues	145,110	145,110	139,809	(5,301)
<b>Expenditures</b>				
Economic development	145,110	145,110	125,616	19,494
Net change in fund balances	-	-	14,193	14,193
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,193</b>	<b>\$ 14,193</b>

## **NONMAJOR ENTERPRISE FUNDS**

Enterprise Funds are used to account for services provided to citizens financed primarily by user charges and operated in a manner similar to private business enterprises, where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, accountability or other purposes.

### **Aquatic Center Fund**

The operation of the City's Aquatic Center is accounted for in this fund.

### **Sylvan Glen Golf Course Fund**

This fund accounts for the operations of the Sylvan Glen Municipal Golf Course.



**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2005**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,095,300	\$ -	\$ 1,095,300
Investments	572,712	-	572,712
Interest receivable	5,503	-	5,503
Accounts receivable	13,385	5,007	18,392
Due from other funds	701,305	-	701,305
Inventories	26,402	-	26,402
Total current assets	<u>2,414,607</u>	<u>5,007</u>	<u>2,419,614</u>
Noncurrent assets:			
Capital assets not being depreciated	1,911,802	-	1,911,802
Capital assets being depreciated net of accumulated depreciator	<u>612,923</u>	<u>2,317,070</u>	<u>2,929,993</u>
Total capital assets, net of accumulated depreciation	<u>2,524,725</u>	<u>2,317,070</u>	<u>4,841,795</u>
Total assets	<u>4,939,332</u>	<u>2,322,077</u>	<u>7,261,409</u>
<b>Liabilities</b>			
Current liabilities:			
Due to other funds	-	262,273	262,273
Unearned revenue	<u>45,600</u>	<u>-</u>	<u>45,600</u>
Total current liabilities	<u>45,600</u>	<u>262,273</u>	<u>307,873</u>
<b>Net Assets</b>			
Investment in capital assets	2,524,725	2,317,070	4,841,795
Unrestricted (deficit)	<u>2,369,007</u>	<u>(257,266)</u>	<u>2,111,741</u>
Total net assets	<u>\$ 4,893,732</u>	<u>\$ 2,059,804</u>	<u>\$ 6,953,536</u>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2005**

	<b>Sylvan Glen Golf Course</b>	<b>Aquatic Center</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 878,141	\$ 415,225	\$ 1,293,366
Rental			
Golf course	226,180	-	226,180
Restaurant	78,000	-	78,000
Miscellaneous income	16,423	22,758	39,181
Total operating revenues	<u>1,198,744</u>	<u>437,983</u>	<u>1,636,727</u>
<b>Operating expenses</b>			
Operations and maintenance	937,400	401,857	1,339,257
Depreciation	171,165	158,356	329,521
Total operating expenses	<u>1,108,565</u>	<u>560,213</u>	<u>1,668,778</u>
Operating income (loss)	90,179	(122,230)	(32,051)
<b>Non-operating revenues (expenses)</b>			
Investment earnings	50,942	-	50,942
Change in net assets	141,121	(122,230)	18,891
Net assets, beginning of year	<u>4,752,611</u>	<u>2,182,034</u>	<u>6,934,645</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,893,732</u></u>	<u><u>\$ 2,059,804</u></u>	<u><u>\$ 6,953,536</u></u>

**City of Troy, Michigan**  
**Combining Statement of Cash Flow**  
**Nonmajor Enterprise Fund**  
**For the Year Ended June 30, 2005**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,247,759	\$ 448,725	\$ 1,696,484
Cash payments to employees	(521,916)	(241,162)	(763,078)
Cash payments to suppliers for goods and services	(387,809)	(173,876)	(561,685)
Cash payments for interfund services	(28,845)	(20,201)	(49,046)
Net cash provided (used) by operating activities	<u>309,189</u>	<u>13,486</u>	<u>322,675</u>
<b>Cash flows from non-capital financing activities</b>			
Advances to other funds	<u>(450,865)</u>	<u>-</u>	<u>(450,865)</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	<u>(49,390)</u>	<u>(13,486)</u>	<u>(62,876)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	681,833	-	681,833
Purchase of investments	(420,170)	-	(420,170)
Investment income	<u>47,561</u>	<u>-</u>	<u>47,561</u>
Net cash provided (used) by investing activities	<u>309,224</u>	<u>-</u>	<u>309,224</u>
Net increase (decrease) in cash and cash equivalents	118,158	-	118,158
Cash and cash equivalents, beginning of year	<u>977,142</u>	<u>-</u>	<u>977,142</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,095,300</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,095,300</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	<u>\$ 90,179</u>	<u>\$ (122,230)</u>	<u>\$ (32,051)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	171,165	158,356	329,521
Changes in assets and liabilities:			
Accounts receivable	3,415	10,742	14,157
Inventory	(1,170)	-	(1,170)
Accrued liabilities	-	(33,382)	(33,382)
Unearned revenues	<u>45,600</u>	<u>-</u>	<u>45,600</u>
Total adjustments	<u>219,010</u>	<u>135,716</u>	<u>354,726</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 309,189</u></u>	<u><u>\$ 13,486</u></u>	<u><u>\$ 322,675</u></u>

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government, on a cost reimbursement basis.

### **Compensated Absences Fund**

The expenses of accumulated sick pay and vacation pay are recorded in this fund.

### **Unemployment Compensation Fund**

This fund accounts for the charges to other departments and the expenses to provide unemployment compensation insurance.

### **Custodial Services Fund**

This fund accounts for the custodial services provided to all City owned buildings.

### **Information Technology Fund**

This fund accounts for the charges to other departments and the expenses to provide computer services.

### **Motor Equipment Fund**

The rental charges of City-owned equipment to other City departments are accounted for in this fund.

### **Workers' Compensation Fund**

The Workers' Compensation Fund was established to account for pooled insurance expenses.

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2005**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>	<u>Information Technology</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,740,641	\$ 145,899	\$ 35,846	\$ 86,254
Investments	2,562,933	136,438	33,522	80,661
Interest receivable	13,778	733	180	434
Accounts receivable	-	-	-	-
Inventory	-	-	-	-
Total current assets	<u>5,317,352</u>	<u>283,070</u>	<u>69,548</u>	<u>167,349</u>
Noncurrent assets:				
Capital assets not being depreciated	-	-	-	-
Capital assets being depreciated net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,561</u>
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,561</u>
Total assets	<u>5,317,352</u>	<u>283,070</u>	<u>69,548</u>	<u>172,910</u>
<b>Liabilities</b>				
Current liabilities:				
Compensated absences	3,024,996	-	-	-
Noncurrent liabilities				
Compensated absences	<u>2,251,408</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,276,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>				
Investment in capital assets	-	-	-	5,561
Unrestricted	<u>40,948</u>	<u>283,070</u>	<u>69,548</u>	<u>167,349</u>
Total net assets	<u>\$ 40,948</u>	<u>\$ 283,070</u>	<u>\$ 69,548</u>	<u>\$ 172,910</u>

<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
\$2,140,214	\$ 945,661	\$ 6,094,515
2,001,439	884,342	5,699,335
10,760	4,754	30,639
10,185	-	10,185
163,092	-	163,092
<u>4,325,690</u>	<u>1,834,757</u>	<u>11,997,766</u>
10,248	-	10,248
<u>3,798,974</u>	<u>-</u>	<u>3,804,535</u>
<u>3,809,222</u>	<u>-</u>	<u>3,814,783</u>
<u>8,134,912</u>	<u>1,834,757</u>	<u>15,812,549</u>
-	-	3,024,996
<u>-</u>	<u>-</u>	<u>2,251,408</u>
<u>-</u>	<u>-</u>	<u>5,276,404</u>
3,809,222	-	3,814,783
<u>4,325,690</u>	<u>1,834,757</u>	<u>6,721,362</u>
<u><u>\$8,134,912</u></u>	<u><u>\$ 1,834,757</u></u>	<u><u>\$ 10,536,145</u></u>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2005**

	<b>Compensated Absences</b>	<b>Unemployment Compensation</b>	<b>Custodial Services</b>	<b>Information Technology</b>
<b>Operating revenues</b>				
Charges for services	\$ 3,766,639	\$ -	\$ 1,759,517	\$ 1,322,190
Equipment rental	-	-	-	-
Building rental	-	-	-	-
Other	-	16,616	-	-
Total operating revenues	<u>3,766,639</u>	<u>16,616</u>	<u>1,759,517</u>	<u>1,322,190</u>
<b>Operating expenses</b>				
Cost of services	3,852,913	67,489	1,690,167	1,494,697
Motor vehicle and garage expenses				
Administration	-	-	-	-
Operations	-	-	-	-
Depreciation	-	-	-	5,975
Total operating expenses	<u>3,852,913</u>	<u>67,489</u>	<u>1,690,167</u>	<u>1,500,672</u>
Operating income (loss)	<u>(86,274)</u>	<u>(50,873)</u>	<u>69,350</u>	<u>(178,482)</u>
<b>Non-operating revenues</b>				
Investment earnings	125,898	7,613	198	6,124
Gain on sale of capital assets	-	-	-	-
Total non-operating revenues	<u>125,898</u>	<u>7,613</u>	<u>198</u>	<u>6,124</u>
Change in net assets	39,624	(43,260)	69,548	(172,358)
Net assets, beginning of year	<u>1,324</u>	<u>326,330</u>	<u>-</u>	<u>345,268</u>
<b>Net assets, end of year</b>	<u><u>\$ 40,948</u></u>	<u><u>\$ 283,070</u></u>	<u><u>\$ 69,548</u></u>	<u><u>\$ 172,910</u></u>

<b><u>Motor Equipment</u></b>	<b><u>Worker's Compensation</u></b>	<b><u>Total</u></b>
\$ -	\$ 423,209	\$ 7,271,555
3,398,277	-	3,398,277
185,522	-	185,522
206,632	138,817	362,065
<u>3,790,431</u>	<u>562,026</u>	<u>11,217,419</u>
-	768,467	7,873,733
495,491	-	495,491
2,236,092	-	2,236,092
1,032,539	-	1,038,514
<u>3,764,122</u>	<u>768,467</u>	<u>11,643,830</u>
<u>26,309</u>	<u>(206,441)</u>	<u>(426,411)</u>
109,444	45,783	295,060
95,698	-	95,698
<u>205,142</u>	<u>45,783</u>	<u>390,758</u>
231,451	(160,658)	(35,653)
<u>7,903,461</u>	<u>1,995,415</u>	<u>10,571,798</u>
<u>\$ 8,134,912</u>	<u>\$ 1,834,757</u>	<u>\$ 10,536,145</u>



**City of Troy, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2005**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Cash flows from operating activities</b>			
Cash received from interfund services	\$ 3,766,639	\$ 16,616	\$ 1,759,517
Cash payments to employees	(4,134,527)	-	(982,020)
Cash payments to suppliers for goods and services	<u>-</u>	<u>(67,489)</u>	<u>(708,147)</u>
Net cash provided (used) by operating activities	<u>(367,888)</u>	<u>(50,873)</u>	<u>69,350</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	1,437,633	191,043	627,116
Purchase of investments	(1,338,250)	(171,204)	(660,638)
Investment income	<u>118,889</u>	<u>7,277</u>	<u>18</u>
Net cash provided (used) by investing activities	<u>218,272</u>	<u>27,116</u>	<u>(33,504)</u>
Net increase (decrease) in cash and cash equivalents	(149,616)	(23,757)	35,846
Cash and cash equivalents, beginning of year	<u>2,890,257</u>	<u>169,656</u>	<u>-</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,740,641</u></u>	<u><u>\$ 145,899</u></u>	<u><u>\$ 35,846</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	<u>\$ (86,274)</u>	<u>\$ (50,873)</u>	<u>\$ 69,350</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	-	-	-
Inventory	-	-	-
Accrued liabilities	<u>(281,614)</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>(281,614)</u>	<u>-</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (367,888)</u></u>	<u><u>\$ (50,873)</u></u>	<u><u>\$ 69,350</u></u>

<b>Information Technology</b>	<b>Motor Equipment</b>	<b>Worker's Compensation</b>	<b>Total</b>
\$ 1,322,190	\$ 3,780,388	\$ 562,026	\$ 11,207,376
(786,991)	(1,337,811)	-	(7,241,349)
(707,706)	(1,414,674)	(768,467)	(3,666,483)
(172,507)	1,027,903	(206,441)	299,544
-	(853,174)	-	(853,174)
986,880	620,829	742,994	4,606,495
(907,720)	(769,804)	(671,751)	(4,519,367)
6,096	103,393	43,459	279,132
85,256	(45,582)	114,702	366,260
(87,251)	129,147	(91,739)	(187,370)
173,505	2,011,067	1,037,400	6,281,885
\$ 86,254	\$ 2,140,214	\$ 945,661	\$ 6,094,515
\$ (178,482)	\$ 26,309	\$ (206,441)	\$ (426,411)
5,975	1,032,539	-	1,038,514
-	(10,043)	-	(10,043)
-	(20,902)	-	(20,902)
-	-	-	(281,614)
5,975	1,001,594	-	725,955
\$ (172,507)	\$ 1,027,903	\$ (206,441)	\$ 299,544

## **FIDUCIARY FUNDS**

Trust Funds are used to account for the assets held by the City in a Trustee capacity. Agency Funds are used to account for assets held by the City as an agent for individuals, organizations or other governments.

### **Employees' Retirement Fund**

This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees.

### **Discretionary Fire Incentive Reserve Fund**

This fund is used to account for the accumulation of resources for incentive payments to qualified volunteer firefighters.

### **Agency Fund**

This fund is used to account for taxes collected on behalf of other governmental units.

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

	<b>Pension Trust Funds</b>		
	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>	<b>Total Pension Trust Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,229,317	\$ 72,834	\$ 4,302,151
Interest receivable	455,911	6,275	462,186
Taxes receivable	-	-	-
Investments			
U.S. Government securities	6,032,768	3,594,563	9,627,331
Corporate bonds	32,232,136	-	32,232,136
Corporate equities, preferred	2,552,701	-	2,552,701
Corporate equities, common	92,850,151	-	92,850,151
Mutual funds	19,243,902	-	19,243,902
Real estate	3,666,260	-	3,666,260
Other investments	-	1,878,055	1,878,055
Total assets	<u>161,263,146</u>	<u>5,551,727</u>	<u>166,814,873</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	124,073,322	5,551,727	129,625,049
Held in trust for postemployment healthcare benefits	<u>37,189,824</u>	<u>-</u>	<u>37,189,824</u>
Total net assets	<u><u>\$ 161,263,146</u></u>	<u><u>\$ 5,551,727</u></u>	<u><u>\$ 166,814,873</u></u>

**City of Troy, Michigan**  
**Combining Statement of Changes**  
**in Fund Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2005**

	<b>Pension Trust Funds</b>		
	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer contributions	\$ 1,715,917	\$ 795,904	\$ 2,511,821
Employee contributions	320,409	-	320,409
Total contributions	2,036,326	795,904	2,832,230
Investment income			
Interest	2,047,815	253,075	2,300,890
Dividends	2,327,650	-	2,327,650
Net adjustment in fair value of investments	338,476	(41,963)	296,513
Total investment earnings	4,713,941	211,112	4,925,053
Less investment expense	-	-	-
Net investment earnings	4,713,941	211,112	4,925,053
<b>Total additions</b>	6,750,267	1,007,016	7,757,283
<b>Deductions</b>			
Benefits	6,043,649	1,015,095	7,058,744
Refunds of contributions	289,929	-	289,929
Administrative expenses	12,350	5,800	18,150
<b>Total deductions</b>	6,345,928	1,020,895	7,366,823
Net increase (decrease) in plan net assets	404,339	(13,879)	390,460
Net assets held in trust, beginning of year for:			
Pension benefits	125,092,851	5,565,606	130,658,457
Postemployment healthcare benefits	35,765,956	-	35,765,956
Total net assets held in trust, beginning of year	160,858,807	5,565,606	166,424,413
Net assets held in trust, end of year for:			
Pension benefits	124,073,322	5,551,727	129,625,049
Postemployment healthcare benefits	37,189,824	-	37,189,824
Total net assets held in trust, end of year	\$ 161,263,146	\$ 5,551,727	\$ 166,814,873

**City of Troy, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**June 30, 2005**

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	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,182,765	\$ 210,646,176	\$(210,805,338)	\$ 2,023,603
Investments	1,214,376	669,406	(745,458)	1,138,324
Taxes receivable	468,585	212,443,889	(212,421,596)	490,878
Interest receivable	3,087	6,120	(3,087)	6,120
Total assets	<u>\$ 3,868,813</u>	<u>\$ 423,765,591</u>	<u>\$(423,975,479)</u>	<u>\$ 3,658,925</u>
<b>Liabilities</b>				
Performance deposits	<u>\$ 3,868,813</u>	<u>\$ 1,457,669</u>	<u>\$ (1,667,557)</u>	<u>\$ 3,658,925</u>

## **STATISTICAL SECTION**

The statistical section presents comparative data for expenditures, revenues, property tax levies and collections, assessed and equalized valuation of taxable property, property tax rates and levies, special assessment collections, ratio of net bonded debt, legal debt margin, direct and overlapping debt, ratio of debt service to general governmental expenditures, tax information, economic development corporation, economic and statistical data and the principal tax payers.

All economic and statistical data was obtained from records of the City of Troy, unless otherwise noted.

# CITY OF TROY, MICHIGAN

## GENERAL GOVERNMENT REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30,</b>	<b>Property Taxes</b>	<b>Licenses and Permits</b>	<b>Federal</b>	<b>State</b>	<b>Local</b>	<b>Charges from Sales and Services</b>
1996	\$ 28,032,705	\$ 1,538,734	\$ 158,524	\$ 9,663,037	\$ 82,291	\$ 2,204,066
1997	30,357,167	1,722,198	174,500	10,070,393	85,781	2,177,481
1998	32,654,465	1,679,479	167,079	11,177,238	100,202	2,020,564
1999	33,086,355	2,254,763	418,053	11,732,172	99,781	2,496,642
2000	36,311,795	2,221,451	157,469	12,052,322	107,585	2,811,601
2001	38,222,093	2,048,206	273,882	12,779,101	118,646	3,418,763
2002	40,214,010	1,522,133	538,346	14,530,595	159,268	3,085,039
2003	42,028,382	1,449,003	358,256	12,616,025	142,450	5,870,215
2004	42,142,992	1,649,985	413,644	17,232,751	162,365	6,128,702
2005	42,419,041	1,607,445	186,080	12,168,751	165,154	6,556,228

<b>Fiscal Year Ended June 30,</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Roads and Streets</b>	<b>Other Public Works</b>	<b>Sanitation</b>	<b>Recreation Parks, Recreation and Cemeteries</b>
1996	\$ 4,810,160	\$ 19,324,566	\$ 2,817,973	\$ 3,072,656	\$ 3,861,616	\$ 3,792,456
1997	5,213,126	19,945,705	2,929,284	3,428,877	3,957,455	4,288,277
1998	5,365,312	20,824,076	2,790,409	2,832,966	3,396,282	4,584,181
1999	6,371,802	21,591,628	3,119,250	2,742,275	3,516,686	5,485,326
2000	6,520,286	21,609,992	2,955,145	3,015,089	3,523,772	5,621,048
2001	7,134,820	22,787,828	3,458,730	3,359,645	3,477,389	5,794,366
2002	7,605,215	24,721,059	3,321,820	3,808,488	3,671,275	6,245,061
2003	8,217,477	25,229,356	3,822,154	3,708,860	4,198,140	7,419,478
2004	8,657,335	26,313,278	3,944,998	3,500,055	4,432,201	7,976,960
2005	8,978,687	27,203,034	5,074,870	2,780,643	4,432,841	8,504,982



<b>Fines and Forfeits</b>	<b>Investment Income</b>	<b>Other</b>	<b>Total Revenues By Source</b>
\$ 847,476	\$ 1,669,571	\$ 2,584,415	\$ 46,780,819
556,706	1,932,601	2,829,967	49,906,794
782,345	2,615,103	2,930,880	54,127,355
806,743	2,368,873	3,034,914	56,298,296
836,035	3,556,854	3,279,143	61,334,255
1,061,310	2,851,959	2,170,644	62,944,604
1,171,749	1,630,865	3,721,754	66,573,759
896,833	804,910	975,380	65,141,454
960,250	606,662	2,393,482	71,690,833
973,527	1,167,086	2,738,164	67,981,476

<b>and Culture</b>		<b>Community and Economic Development</b>		
<b>Library and Museum</b>	<b>Debt Service</b>	<b>Downtown Development Authority</b>	<b>Economic and Physical Development</b>	<b>Total Expenditures by Function</b>
\$ 2,360,872	\$ 4,416,113	\$ 47,347	\$ -	\$ 44,503,759
2,436,536	4,608,001	385,731	56,594	47,249,586
2,696,414	4,544,281	17,005	470,861	47,521,787
2,585,158	3,921,278	433,177	346,890	50,113,470
2,782,020	3,822,450	684,666	97,627	50,632,095
3,196,809	5,132,067	235,929	161,945	54,739,528
4,042,658	12,819,195	145,039	530,118	66,909,928
4,474,276	7,214,312	640,824	442,397	65,367,274
4,547,590	17,283,219	479,272	168,630	77,303,538
4,758,578	6,071,718	288,986	185,605	68,279,944

# CITY OF TROY, MICHIGAN

## GENERAL FUND - FUND BALANCE COMPARED TO ANNUAL EXPENDITURES AND OTHER FINANCING USES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Reserved Fund Balance</u>	<u>Unreserved Fund Balance</u>	<u>Annual Expenditures and Other Financing Uses</u>	<u>Unreserved Fund Balance as a Percent of Expenditures and Other Financing Uses</u>
1996	\$ 2,987,972	\$ 6,823,213	\$ 36,147,883	18.88%
1997	2,850,854	8,603,158	39,012,105	22.05
1998	1,463,558	13,016,144	39,422,332	33.02
1999	1,387,895	16,482,576	41,861,809	39.37
2000	1,926,331	19,285,439	44,268,940	43.56
2001	3,177,624	20,200,272	47,496,518	42.53
2002	3,383,974	18,576,135	52,616,661	35.30
2003	3,524,927	17,901,803	52,833,401	33.88
2004	3,597,139	16,855,616	55,568,486	30.33
2005	708,988	23,098,204	57,300,794	40.30

# CITY OF TROY, MICHIGAN

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30,</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Ratio of Total Tax Collections To Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes To Total Tax Levy</b>
1996	\$ 31,342,457	\$ 30,288,581	96.64%	\$ 921,266	99.57%	\$ 169,942	.54%
1997	33,511,137	32,630,061	97.37	766,644	99.66	151,636	.45
1998	34,834,939	33,978,096	97.54	737,431	99.66	136,266	.39
1999	36,316,680	35,645,833	98.15	732,372	100.17	120,514	.33
2000	37,904,870	37,391,650	98.65	736,580	100.59	145,773	.38
2001	39,434,080	38,848,160	98.51	693,813	100.27	256,858	.65
2002	41,803,788	41,016,410	98.12	632,486	99.63	308,641	.74
2003	43,497,146	42,574,532	97.88	582,323	99.22	491,213	1.13
2004	44,251,910	43,440,583	98.17	672,473	99.68	296,928	.67
2005	45,666,420	44,814,456	98.13	637,527	99.53	214,437	.47

## CITY OF TROY, MICHIGAN

### VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total</b>
1996	\$ 2,918,385,360	\$ 507,025,520	\$ 3,425,410,880
1997	3,051,120,348	522,531,950	3,573,652,298
1998	3,195,831,127	579,417,710	3,775,248,837
1999	3,379,498,283	626,129,990	4,005,628,273
2000	3,517,064,100	666,496,353	4,183,560,453
2001	3,730,001,390	643,070,690	4,373,072,080
2002	4,036,688,730	649,562,212	4,686,250,942
2003	4,241,676,110	619,964,538	4,861,640,648
2004	4,394,026,741	584,236,696	4,978,263,437
2005	4,558,664,800	536,093,423	5,094,758,223

### ASSESSED VALUATION OF TAXABLE PROPERTY

<b>Fiscal Year Ended June 30,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total</b>
1996	\$ 2,956,148,390	\$ 507,025,520	\$ 3,463,173,910
1997	3,150,464,920	522,531,950	3,672,996,870
1998	3,375,246,250	579,417,710	3,954,663,960
1999	3,658,830,824	626,129,990	4,284,960,814
2000	4,030,429,830	666,496,353	4,696,926,183
2001	4,575,526,610	643,070,690	5,218,597,300
2002	5,003,001,730	649,562,212	5,652,563,942
2003	5,335,732,860	619,964,538	5,955,697,398
2004	5,603,847,560	584,236,696	6,188,084,256
2005	5,801,129,550	536,093,423	6,337,222,973

Proposal "A" as passed by the citizens of Michigan, took effect in 1994. This Proposal created two new categories for tax and assessment purposes (taxable value and capped value). Assessed value was unchanged by the Proposal, and remains at 50% of the market value of a property.

Taxable value is the amount upon which millage rate (taxes) are now levied. Taxable value is defined as the lesser of assessed value or capped value.

Capped value is calculated by taking the previous year's taxable value, minus any losses in value, multiplied by the inflation rate or 5% (whichever is less) plus any new construction.

This Proposal also mandated that the taxable value and assessed value were to be equal for the year following a transfer of ownership (as defined by the statutes), and then the capping process would begin anew.

The taxable and assessed valuation of taxable property is determined as of December 31<sup>st</sup> of each year.

# CITY OF TROY, MICHIGAN

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS (PER \$1,000 OF ASSESSED VALUATION)

Fiscal Year Ended June 30,	City of Troy	Overlapping Governments					State Education	Total
		Troy School District	Oakland County	Oakland County Community College	Intermediate School District	SMART		
1996 H	9.18	12.36	4.95	1.65	2.13	.33	6.00	36.60
1996 NH	9.18	21.50	4.95	1.65	2.13	.33	6.00	45.74
1997 H	9.48	12.11	4.85	1.65	2.13	.33	6.00	36.55
1997 NH	9.48	21.25	4.85	1.65	2.13	.33	6.00	45.69
1998 H	9.48	12.41	4.82	1.65	2.13	.33	6.00	36.82
1998 NH	9.48	21.64	4.82	1.65	2.13	.33	6.00	46.05
1999 H	9.48	11.71	4.66	1.65	2.12	.33	6.00	35.95
1999 NH	9.48	21.62	4.66	1.65	2.12	.33	6.00	45.86
2000 H	9.48	11.36	4.65	1.63	2.10	.33	6.00	35.55
2000 NH	9.48	21.61	4.65	1.63	2.10	.33	6.00	45.80
2001 H	9.48	10.71	4.65	1.61	2.08	.32	6.00	34.85
2001 NH	9.48	21.32	4.65	1.61	2.08	.32	6.00	45.46
2002 H	9.48	10.06	4.64	1.60	3.46	.32	6.00	35.56
2002 NH	9.48	21.13	4.64	1.60	3.46	.32	6.00	46.63
2003 H	9.45	9.73	4.65	1.61	3.42	.60	6.00	35.46
2003 NH	9.45	21.14	4.65	1.61	3.42	.60	6.00	46.87
2004 H	9.45	9.43	4.65	1.60	3.40	.60	5.00	34.13
2004 NH	9.45	21.14	4.65	1.60	3.40	.60	5.00	45.84
2005 H	9.45	10.16	4.65	1.59	3.38	.60	6.00	35.83
2005 NH	9.45	22.13	4.65	1.59	3.38	.60	6.00	47.80

H - Homestead

NH - Non-Homestead

# CITY OF TROY, MICHIGAN

## SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30,</b>	<b>Special Assessment Billings</b>	<b>Special Assessments Collected</b>
1996	\$ 1,067,340	\$ 655,623
1997	943,254	1,160,717
1998	875,004	1,436,901
1999	815,141	1,224,098
2000	680,778	1,322,798
2001	694,231	543,388
2002	737,948	858,117
2003	670,391	742,116
2004	667,835	733,087
2005	613,688	675,004

# CITY OF TROY, MICHIGAN

## RATIO OF NET GENERAL BONDED DEBT TO TAXABLE VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxable Value	Estimated Population	Gross Bonded Debt Outstanding	Debt Service Fund Balance	Debt Payable from Other than General Resources	Net Bonded Debt	Percent of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
1996	\$ 3,425,410,880	72,884	\$ 43,299,691	\$ 3,975,408	\$ 30,404,204	\$ 8,920,079	.26	122.39
1997	3,573,652,298	72,884	39,197,404	4,673,823	28,746,903	5,776,678	.16	79.26
1998	3,775,248,837	72,884	34,996,940	6,012,696	26,879,600	2,104,644	.06	28.88
1999	4,005,628,273	72,884	30,749,852	6,918,142	23,831,710	-	-	-
2000	4,183,560,453	72,884	32,103,273	9,895,404	22,207,869	-	-	-
2001	4,373,072,080	80,959	42,997,925	11,017,036	31,980,889	-	-	-
2002	4,686,250,942	80,959	66,394,521	14,071,780	52,322,741	-	-	-
2003	4,861,640,648	80,959	101,768,658	14,940,365	86,828,293	-	-	-
2004	4,978,263,437	80,959	88,868,315	6,243,395	82,624,920	-	-	-
2005	5,094,758,223	80,959	85,677,271	6,200,419	79,476,852	-	-	-

# CITY OF TROY, MICHIGAN

## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
1996	\$ 1,924,102	\$ 519,926	\$ 2,444,028	\$ 44,503,759	5.49%
1997	2,444,985	546,210	2,991,195	47,249,586	6.33
1998	2,333,160	356,737	2,689,897	47,521,787	5.66
1999	2,164,789	441,361	2,606,150	50,113,470	5.20
2000	1,623,759	274,387	1,898,146	50,632,095	3.75
2001	1,525,782	200,706	1,726,488	54,739,528	3.15
2002	1,549,651	1,229,717	2,779,368	66,909,928	4.15
2003	1,600,863	1,606,965	3,207,828	65,367,274	4.91
2004	11,512,500	2,831,219	14,343,719	77,303,538	18.56
2005	1,579,955	1,753,162	3,333,117	68,279,944	4.88

Includes General, Special Revenue and Debt Service Funds.



# CITY OF TROY, MICHIGAN

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2005

<u>Jurisdiction</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percent Applicable to Troy</u>	<u>Amount Applicable to Troy</u>
City of Troy	\$ 50,987,271	100.00%	\$ 50,987,271
Avondale School District	103,227,475	17.22	17,775,771
Birmingham School District	240,340,000	4.43	10,647,062
Bloomfield Hills School District	21,765,000	2.08	452,712
Lamphere School District	25,805,000	13.06	3,370,133
Royal Oak School District	30,404,000	3.42	1,039,817
Troy School District	110,625,000	100.00	110,625,000
Warren School District	160,575,000	8.48	13,616,760
 Oakland County	 97,029,063	 9.10	 8,829,645
 Oakland Intermediate School District	 10,220,000	 8.51	 869,722
 Macomb Intermediate School District	 3,000,000	 1.25	 37,500
 Oakland County Community College	 <u>11,175,000</u>	 9.16	 <u>1,023,630</u>
 Total overlapping debt	 <u>814,165,538</u>		 <u>168,287,752</u>
 Total direct and overlapping debt	 <u><u>\$ 865,152,809</u></u>		 <u><u>\$ 219,275,023</u></u>

Source: Municipal Advisory Council of Michigan; Detroit, Michigan.

# CITY OF TROY, MICHIGAN

## PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Property Values</u>	<u>Construction</u>	<u>Bank Deposits (000,000)</u>
1996	\$ 6,926,347,820	\$ 140,939,440	\$ *
1997	7,345,993,740	173,458,968	*
1998	7,909,327,920	190,550,736	*
1999	8,569,921,628	260,729,204	*
2000	9,393,852,366	255,604,926	*
2001	10,437,194,600	230,713,492	*
2002	11,305,127,884	143,908,032	*
2003	11,911,394,796	141,941,808	*
2004	12,376,168,512	140,823,926	*
2005	12,674,445,946	143,697,564	26

\* Information Not Available.

# CITY OF TROY, MICHIGAN

## PRINCIPAL TAXPAYERS

JUNE 30, 2005

<u>Rank</u>	<u>Taxpayer</u>	<u>2004 Taxable Valuation</u>	<u>Number of Parcels</u>	<u>Business Activity</u>	<u>Percent of Total Taxable Valuation</u>
1	Frankel Forbes/Cohen Associates	\$ 61,057,410	3	Somerset N & S (Malls)	1.20%
2	Nykel Management Co.	55,107,070	24	Somerset Apartments	1.08
3	The Gale Company	49,486,660	8	Office Leasing	0.97
4	Liberty Property Limited Partnership	42,930,000	26	Offie Leasing	.84
5	Detroit Edison	42,429,070	16	Utility	.83
6	Kelly Services & Properties	34,097,390	7	Temp Help & Corporate HQ	.67
7	Delphi Automotive Systems	30,239,560	3	Automotive Supply HQ	.59
8	K-Mart Coporation	30,223,150	6	Retail & Corporate HQ	.59
9	Okland Mall LLC	27,283,540	1	Retail	.54
10	Standard Federal	26,137,970	2	Banking & HQ	.51
11	Teacher's Assurance & Annuity	26,112,390	4	Office Leasing	.51
12	Nemer Troy Place	25,106,540	12	Office Leasing	.49
13	Sheffield Office LP	24,876,520	5	Office Leasing	.49
14	Trett Associates, Inc.	24,555,650	1	Office Leasing ( Top of Troy)	.48
15	First Industrial	20,908,590	8	Industrial Leasing	.41
16	Ei DuPont	20,214,250	36	Automotive Finishes	.40
17	Flagstar Bank	18,357,360	9	Banking & HQ	.36
18	WHP Mezz Borrowers 2	18,319,180	8	Office Leasing	.36
19	Collins & Aikman	17,622,800	7	Automotive Supply & HQ	.35
20	EA & S Investment	16,711,620	1	Office Leasing	.33
Total		<u>\$ 611,776,720</u>			<u>12.00%</u>
2004 Total Taxable Valuation		<u>\$ 5,094,758,223</u>			

# CITY OF TROY, MICHIGAN

## COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2005

Assessed Valuation at December 31, 2003 \$ 6,337,222,973

	Annual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin
General obligation debt	\$ 50,987,271	10%	\$ 633,722,297	\$ 582,735,026
Emergency bonds	-	3/8	23,764,586	23,764,586
Special assessment bonds	<u>100,000</u>	12	<u>760,466,757</u>	<u>760,366,757</u>
Total debt	<u>\$ 51,087,271</u>		<u>\$ 1,417,953,640</u>	<u>\$ 1,366,866,369</u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the assessed valuation of taxable property in the City (\$6,337,222,973), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage or garbage disposal systems.

The Michigan State Bond Act provides that the total debt in special assessment bonds, which would require that the City pledge its faith and credit, shall not exceed 12% of the assessed valuation of taxable property of the City, nor shall such bonds be issued in any calendar year in excess of 3% unless voted.

# CITY OF TROY, MICHIGAN

## TAX INFORMATION

### Taxes Due:

July 1<sup>st</sup>

### Payable:

City and fifty percent (50%) of school taxes are due and payable July 1<sup>st</sup> at the office of the City Treasurer. (County taxes and the remaining fifty percent (50%) of school taxes are due and payable December 1<sup>st</sup>).

### Penalties and Interest for Delinquency:

All City taxes are to be paid on or before the first day of September without additional charge. All City taxes paid after the first day of September shall be subject to a penalty of four percent (4%) and interest at the rate of one-half of one percent (.50%) per month for each and every succeeding month or fraction thereof that the same remains unpaid. Commencing March 1<sup>st</sup>, taxes on real property are collected through the County Treasurer of Oakland County, who adds and retains a collection fee of four percent (4%), and in addition adds interest at the rate of one percent (1%) per month or fraction thereof to the date of payment.

### Lien on Property:

Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The General Tax Law provides for disposition at public sale of real estate delinquent for taxes as follows:

<u>Date of Sale</u>	<u>Delinquent Tax Properties to be Sold</u>
July 2006	Year 2003
July 2007	Year 2004

### State Land Sale:

The General Property Tax Act, Public Act 206 of 1893, as amended, requires the County Treasurer to foreclose on real property for failure to pay delinquent property taxes. On March 1<sup>st</sup>, following the year taxes went delinquent a \$175.00 fee and a \$18.00 recording fee will be added to the parcel. The interest rate on the unpaid balance increases to 1.5% per month retroactive to the previous March 1<sup>st</sup>. In February properties that are delinquent for two years will be taken to the Circuit Court for foreclosure. Property owners have 21 days from the foreclosure judgment date to redeem the property by paying all taxes, penalties, interest and fees. After 21 days the State is granted first right of refusal to purchase property at the greater of minimum bid or fair market value. The City has second right of refusal to purchase property for a public purpose at the minimum bid price. The County may purchase property at the minimum bid price following the local unit decision not to purchase. Properties that are not purchased will be available for land sale. The land sale will be a live auction. Parcels will be sold as-is at time of auction. Minimum opening bid will be the sum of all delinquent taxes, including all interests, penalties, fees and expenses.

# CITY OF TROY, MICHIGAN

## LABOR AGREEMENTS

<u>Name</u>	<u>Expiration Date</u>	<u>Number of Employees Covered</u>
American Federation of State, County, and Municipal Employees, AFL-CIO - Public Works Employees	6/30/06	82
Michigan Association of Police - Clerical, Police Services Aides	6/30/07	68
Troy Command Officers Association - Command Police Officers	6/30/05	34
Troy Police Officers Association - Police Officers	6/30/08	102
Troy Firestaff Officers Association - Fire Career Professionals	6/30/06	12

## CITY OF TROY, MICHIGAN

### THE ECONOMIC DEVELOPMENT CORPORATION BONDS JUNE 30, 2005

Those persons or businesses interested in locating a business in Troy with the Economic Development Corporation's (EDC) help must first submit an application fee of \$2,500. As of the issuance of these financial statements, the EDC of the City of Troy had issued nineteen different bond issues to aid in implementation of the following projects:

<u>Corporation or Project Name</u>	<u>Official Bond Issuance Date</u>	<u>Bond Issuance Amount</u>
High Performance Machine, Inc. Project	5/12/82	\$ 3,000,000
Ronald J. and Maxine Smith Project	9/01/82	1,300,000
Drury Inn - Troy Project	12/31/82	6,200,000
Jered Brown Brothers, Inc. Project	2/02/83	3,000,000
Structural Kinematics Corporation Project	1/20/84	3,000,000
Handleman Company Project	2/15/84	3,500,000
Sifco Industries, Inc.	7/17/84	3,000,000
REB Properties	7/11/84	2,000,000
Handleman - Series B	9/28/84	2,000,000
Willowgreen Building Group	11/09/84	1,800,000
High Performance Machines, Inc. (Refunding issue)	2/14/84	3,000,000
Troy SAK Associates	12/30/84	950,000
Mictron, Inc.	3/25/85	2,050,000
Creative Industries of Detroit, Inc.	6/04/85	500,000
Haden Schweitzer Corporation	12/23/85	1,100,000
Troy SAK Associates II	5/23/86	1,250,000
John Milanowski	9/12/86	1,470,000
Sandy Corporation - project refinancing	5/28/87	4,120,000
Walsh College	11/10/89	<u>2,600,000</u>
		<u>\$ 45,840,000</u>

The above summarized bond issuances of the EDC are not general obligations of the EDC nor of the City itself, and are not payable from any tax revenue, but in substances are the obligations of the companies for which the bonds are issued.

# CITY OF TROY, MICHIGAN

## ECONOMIC AND STATISTICAL DATA

<b><u>Area:</u></b>	34.3 square miles (21,952 acres)		
<b><u>Form of Government:</u></b>	Council-Manager (Since December 12, 1955)		
<b><u>Present Charter:</u></b>	Adopted December 12, 1955		
<b><u>Elections:</u></b>	Registered voters (General election April 5, 2004)		54,122
	Number of voters voting in General election April 5, 2004		12,589
	Percentage of registered voters voted		23.26%
	Registered voters (General election November 2, 2004)		55,513
	Number of voters voting in General election November 2, 2004		42,915
	Percentage of registered voters voted		77.31%
<b><u>Fiscal Year Begins:</u></b>	July 1st		
<b><u>Number of City Employees:</u></b>	487 regular, 392 seasonal, summer and fall programs		
<b><u>Fire Protection:</u></b>	6 stations, training center, 180 volunteer fire fighters, 14 career personnel, ISO Class 3		
<b><u>Police Protection:</u></b>	1 station, 137 police officers, 43 non-sworn and 14 civilian employees		
<b><u>Building Construction:</u></b>			
	1995 - 1996	2,277 permits	\$ 140,939,440 estimated value
	1996 - 1997	2,245 permits	173,458,968 estimated value
	1997 - 1998	2,091 permits	190,550,736 estimated value
	1998 - 1999	2,196 permits	260,729,204 estimated value
	1999 - 2000	2,190 permits	255,604,926 estimated value
	2000 - 2001	1,946 permits	230,713,492 estimated value
	2001 - 2002	1,938 permits	143,908,032 estimated value
	2002 - 2003	1,867 permits	141,941,808 estimated value
	2003 - 2004	2,110 permits	140,823,926 estimated value
	2004 - 2005	2,136 permits	143,697,564 estimated value
<b><u>Streets:</u></b>	410 miles improved 4.9 miles unimproved		
<b><u>Sewers:</u></b>	10 miles (combination storm and sanitary) 386 miles sanitary sewer 488 miles storm sewer		
<b><u>Streets Lights:</u></b>	577 Detroit Edison owned 1,707 City owned		
<b><u>Water Plant:</u></b>	Accounts:		
	City-regular		26,990
	Annual Distribution		595 million cubic feet
	Watermains		547 miles
	Hydrants		5,610



# CITY OF TROY, MICHIGAN

## ECONOMIC AND STATISTICAL DATA - CONTINUED

### Recreation:

14 public parks (735 acres)  
15 play structures  
18 tennis courts (16 lighted)  
1 outdoor education center/farm  
2 18-hole golf courses/practice facility  
1 community center/indoor pool, gym  
1 aquatic center  
5 undeveloped park sites

### Population Growth:

Official U.S. Census	1920	2,520
	1930	3,867
	1940	6,248
	1950	10,087
	1960	19,402
	1970	39,419
	1980	67,102
	1990	72,884
	2000	80,959

# CITY OF TROY, MICHIGAN

## DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30,</b>	<b>Population (1)</b>	<b>Number of Households</b>	<b>Median Household Effective Buying Income (3)</b>	<b>School Enrollment (4)</b>	<b>Median Age</b>	<b>Unemploy- ment Rate (%) (5)</b>
1996	81,770	29,793	\$ 58,798	11,987	*	1.8
1997	82,560	29,896	*	12,064	37.0	1.6
1998	83,787	30,274	59,601	12,050	37.3	1.9
1999	84,549	30,434	60,004	12,066	*	1.6
2000	85,124	30,721	61,806	12,079	37.0	1.6
2001	80,959 (2)	30,872	65,642	12,101	38.1	2.3
2002	84,531	31,371	70,342	12,043	38.1	3.2
2003	84,841	31,504	65,625	12,092	38.1	3.2
2004	85,956	31,944	62,862	12,059	38.1	3.2
2005	86,740	32,281	64,630	12,005	38.0	4.7

Source:

(1) Estimates provided by City Planning Department

(2) U.S. Bureau of the Census

(3) "Survey of Buying Power" by Sales and Marketing Management, New York, N.Y. and published annually

(4) Troy School District

(5) Michigan Department of Career Development

\* Information not available.

\*\* Change in the calculation method.

## **SINGLE AUDIT SECTION**



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

September 27, 2005

To the Honorable Mayor and City Council  
City of Troy, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan (the "City")* as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the *City of Troy, Michigan* in a separate letter dated September 27, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council and management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



**REHMANN ROBSON**

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 27, 2005

To the Honorable Mayor and City Council  
City of Troy, Michigan

**Compliance**

We have audited the compliance of ***City of Troy, Michigan*** (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the ***City of Troy, Michigan***' management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, others in the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".

**City of Troy, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development:</b>		
Pass through Oakland County, Michigan		
<i>Community Development Block Grant</i>	14.218	\$ 59,989.44
<b>U.S. Department of Justice:</b>		
<i>Bulletproof Vest Grant</i>	16.607	6,337.50
<i>Local Law Enforcement Block Grant 2003-LB-BX-1667</i>	16.592	16,646.95
<i>Local Law Enforcement Block Grant 2005-DJ-BX-0888</i>	16.592	11,875.00
Total U.S. Department of Justice		<u>34,859.45</u>
<b>U.S. Department of Homeland Security:</b>		
Pass through Michigan Department of State Police		
<i>Public Assistance Grants</i>	97.004	128,428.26
<b>U.S. Department of Transportation:</b>		
Pass through Michigan State Department of Transportation		
<i>Highway Planning &amp; Construction</i>		
HH3263	20.205	49,135.79
HH3263	20.205	48,134.81
HH2221	20.205	29,926.15
HH2855	20.205	50,326.38
YY259	20.205	1,526.94
RR3308	20.205	2,237,702.96
RR3172	20.205	150,823.86
Total U.S. Department of Transportation		<u>2,567,576.89</u>
<b>U.S. Environmental Protection Agency:</b>		
Pass through Wayne County, Michigan		
<i>Rouge River Sanitary Sewer Overflow Grant</i>	66.606	7,718.29
<b>Total Federal Expenditures of Federal Awards</b>		<u><u>\$ 2,798,572.33</u></u>



**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of *City of Troy, Michigan* (the "City") and is presented on the same basis of accounting as the basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

\* \* \* \* \*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

    Material weakness(es) identified? \_\_\_\_\_ yes    X no

    Reportable condition(s) identified  
        not considered to be material weaknesses? \_\_\_\_\_ yes    X none reported

Noncompliance material to financial statements  
    noted? \_\_\_\_\_ yes    X no

**Federal Awards**

Internal Control over major programs:

    Material weakness(es) identified? \_\_\_\_\_ yes    X no

    Reportable condition(s) identified  
        not considered to be material weaknesses? \_\_\_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
    for major programs: Unqualified

Any audit findings disclosed that are required  
    to be reported in accordance with  
    Circular A-133, Section 510(a)? \_\_\_\_\_ yes    X no

Identification of major programs:  
    Highway planning and construction CFDA No. 20.205

Dollar threshold used to distinguish  
    between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes    \_\_\_\_\_ no

**CITY OF TROY, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV – PRIOR YEAR FINDINGS**

None.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

September 27, 2005

To the Honorable Mayor and City Council  
City of Troy, Michigan

In planning and performing our audit of the financial statements of the *City of Troy, Michigan*, for the year ended June 30, 2005, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and/or operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated September 27, 2005, on the financial statements of the *City of Troy, Michigan*.

The accompanying comments and recommendations are intended solely for the information and use of the Mayor and City Council, Management, and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the City in implementing the recommendations.

We would like to thank the staff and management of the *City of Troy, Michigan* for their assistance and cooperation in completing the audit.

## Memorandum

### INTERNAL CONTROLS

#### 1) PAYROLL

During our audit we noted that payroll checks are printed on Wednesdays and kept in a locked cubicle overhead bin instead of in a fireproof vault overnight.

This practice exposes the City to undue risks, including the risk of loss to fire as well as to theft (the overhead bins are easily accessible by applying minimal force).

#### Recommendation

We recommend that the City establish a policy of maintaining payroll checks in a fireproof vault overnight and at all times prior to their distribution and that access to the vault be limited to selected individuals.

#### 2) TREASURY DEPOSIT

During our procedures, we noted instances in which cash receipts from Sylvan Glenn and the Aquatic Center were not remitted to Treasury in a timely manner.

We believe that this condition increases the City's risk of misappropriation or loss.

#### Recommendation

We would recommend that the City consider establishing a policy dictating the importance of remitting the cash receipts at the end of every business day to the Treasurer's office.

### UPCOMING PRONOUNCEMENTS

#### 3) POSTEMPLOYMENT HEALTH CARE

In April 2004 the Governmental Accounting Standards Board issued Statement No. 43 *Financial Reporting of Postemployment Benefits Other Than Pension Plans*.

The standard will requires the City to obtain an actuarial valuation of its postemployment benefits other than pension plans, establish a separate trust for these benefits and begin funding this long-term obligation based on the actuarially determined required contribution.

#### Status

The City has had a policy for pre-funding its postemployment benefits over the past several years and as of the last actuarial valuation, indicates that the City is approximately 90% funded.

In addition, it is our understanding that the City has established a separate trust beginning in July 2005 in which all future contributions will be remitted.